Interim Report
at 31 March 2014

Board of Directors
of 14 May 2014

iren

Contents

INTRODUCTION

As discussed extensively in the following paragraph on the accounting policies adopted, the new IFRS 11 governing the accounting of joint arrangements became effective from 1 January 2014. The standard no longer allows the proportionate consolidation applied by the Iren Group to joint ventures up to 31 December 2013. The consequences of this are the deconsolidation of the companies OLT, SAP, AES and Iren Rinnovabili, which are recognised using the equity method.

As a result of the above, the Directors also considered it appropriate to prepare specific restated statements, in addition to those prepared in compliance with international accounting standards in force, in order to provide a detailed line-by-line representation of the income statement and balance sheet with regard to district heating business in Turin. This business, in fact, is managed through the jointly-controlled company AES S.p.A., which in application of the new IFRS 11 would be recognised merely as a financial investment.

The restated statements, in addition to providing information essentially in line with that provided before the new IFRS 11 became effective (when AES S.p.A. was proportionately consolidated), better reflect the strategic nature of the district heating business, in which the Iren Group is among Italy’s leaders, and the role played by the Group in managing and developing district heating in Turin, as also confirmed by the agreement signed with Italgas at the beginning of April 2014, illustrated in the paragraph on significant events after the end of the first quarter of 2014. This agreement envisages the spin-off of AES S.p.A. and transfer of district heating business in Turin to the Iren Group.

For the reasons stated above, the notes on Iren Group performance in the first quarter of 2014 refer to the restated financial statements.

KEY FIGURES OF THE IREN GROUP

	First 3 months 2014 restated	First 3 months 2013 restated	% Change
Income Statement figures *(millions of euro)*			
Revenue	903	1,106	(18.3)
Gross operating profit (EBITDA)	203	246	(17.3)
Operating profit (EBIT)	129	176	(26.8)
Profit before tax	100	150	(33.4)
Profit/(loss) for the period - Group and non-controlling interests	55	85	(35.8)
Statement of Financial Position figures *(millions of euro)*	*At 31/03/2014*	*At 31/12/2013*	
Net invested capital	4,222	4,191	0.7
Equity	2,048	1,999	2.4
Net financial position	2,175	2,192	(0.8)
Financial/economic indicators	*First 3 months 2014*	*First 3 months 2013*	
GOP/Revenue	22.5%	22.2%	
	At 31/03/2014	*At 31/12/2013*	
Debt/Equity	1.06	1.10	
Technical and trading figures	*First 3 months 2014*	*First 3 months 2013*	
Electrical energy sold (GWh)	3,387	3,648	(7.1)
Heat energy produced (GWh_t)	1,256	1,526	(17.7)
District heating volume (mln m^3)	79	77	3.1
Gas sold (mln m^3)	901	1,208	(25.4)
Water distributed (mln m^3)	37	38	(3.0)
Waste handled (tons)	255,017	226,817	(12.4)

Iren is a multiutility company listed on the Italian Stock Exchange and was established on 1 July 2010 as a result of the merger of IRIDE and ENÌA. It operates in the sectors of electrical energy (production, distribution and sale), heat (production, carriage and sale), gas (distribution and sale), integrated water services, waste management services (collection and disposal of waste) and services for public administration.

Iren is structured as an industrial holding, with headquarters in Reggio Emilia and operating offices in Genoa, Parma, Piacenza and Turin, as well as companies head of the single business lines. The holding company handles strategic, development, coordination and control activities, while the five operating companies ensure the coordination and development of business lines as follows:

- Iren Acqua Gas operates in the integrated water cycle;
- Iren Energia operates in the electrical and heat energy production and technological services sector;
- Iren Mercato manages the sale of electrical energy, gas and district heating;
- Iren Emilia operates in the gas sector, handles waste collection, environmental health and the management of local services;
- Iren Ambiente handles the design and management of waste treatment and disposal plants and operates in the renewable energy sector.

Electrical energy production: through a considerable number of electrical energy and heat energy plants for district heating production, the overall production capacity is over 8,800 GWh/year, including the portion ensured by the plants acquired from Edipower (Turbigo and Tusciano).

Gas distribution: through its network of over 9,000 km, Iren serves over one million customers.

Electrical energy distribution: with 7,474 km of high, medium and low voltage networks, the Group distributes electrical energy to over 691,000 customers in Turin and Parma.

Integrated water service: with around 14,150 km of aqueduct networks, over 8,000 km of sewerage networks and 813 treatment plants, Iren provides services to more than 2,400,000 residents.

Waste management cycle: with 123 equipped ecological stations, 2 waste-to-energy plants, 1 landfill, 12 treatment plants and 2 composting plants, the Group serves 116 municipalities for a total of around 1,139,000 residents.

District heating: through 878 km of dual-pipe underground networks the Iren Group supplies heating for an overall volume of around 79 million m^3, equivalent to a population served of over 550,000 individuals.

Sales of gas, electrical energy and heat energy: each year the Group sells over 3 billion m^3 of gas, around 13,230 GWh of electrical energy and 3,072 GWh_t of heat for the district heating networks.

COMPANY OFFICERS

Board of Directors

Chairman	Francesco Profumo
Deputy Chairman	Andrea Viero
CEO	Nicola De Sanctis
Directors	Franco Amato [(1)]
	Lorenzo Bagnacani
	Roberto Bazzano
	Tommaso Dealessandri
	Anna Ferrero
	Roberto Walter Firpo [(2)]
	Alessandro Ghibellini [(3)]
	Fabiola Mascardi [(4)]
	Ettore Rocchi [(5)]
	Barbara Zanardi [(6)]

Board of Statutory Auditors

Chairman	Paolo Peveraro [(7)]
Standing Auditors	Aldo Milanese [(7)]
	Annamaria Fellegara [(7)]
Substitute Auditors	Alessandro Cotto [(7)]
	Emilio Gatto [(7)]

Manager in charge of financial reporting

Massimo Levrino

Independent Auditors

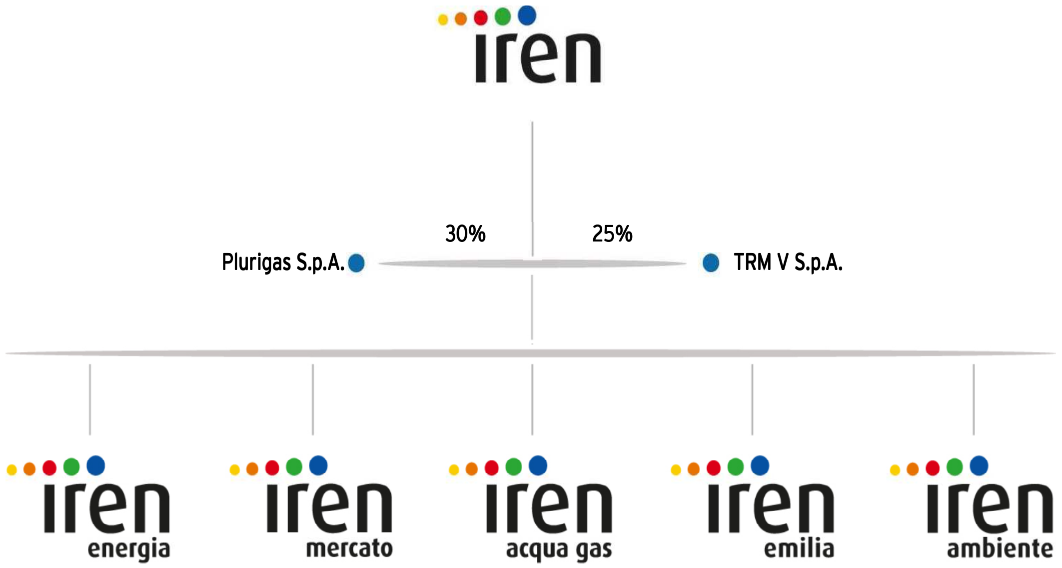
PricewaterhouseCoopers S.p.A. [(8)]

[(1)] Chairman of the Control and Risk Committee and member of the Committee for Transactions with Related Parties.
[(2)] Member of the Remuneration Committee.
[(3)] Member of the Control and Risk Committee.
[(4)] Chairman of the Remuneration Committee and member of the Committee for Transactions with Related Parties.
[(5)] Member of the Remuneration Committee.
[(6)] Chairman of the Committee for Transactions with Related Parties and member of the Control and Risk Committee.
[(7)] Appointed by the shareholders' meeting on 14 May 2012 for the 2012-2014 three-year period.
[(8)] Assignment conferred by the shareholders' meeting on 14 May 2012 for the 2012-2020 nine-year period.

MISSION AND VALUES OF THE IREN GROUP

The Iren Group’s mission is to offer its customers and residents service efficiency, effectiveness, economic convenience and high quality, operating with expertise and professionalism with full respect for the environment and safety in the energy, integrated water services, waste management sectors and on behalf of public administrations, contributing to the well-being of its staff and of the community and guaranteeing its shareholders an adequate profitability.

IREN GROUP: ORGANISATIONAL STRUCTURE



Note that this is the organisational structure for management purposes.

The flowchart illustrates the main investee companies of Iren Holding.

IREN ENERGIA

Cogenerative production of electrical energy and heat energy
Iren Energia's installed capacity totals approximately 3,000 MW, of which around 2,800 MW is directly generated and around 200 MW through the investee Energia Italiana. Specifically, Iren Energia owns 25 electrical energy production plants: 19 hydroelectric plants, 5 thermoelectric cogeneration plants and 1 thermoelectric plant, for a total capacity of approximately 2,200 MW of electrical energy and 2,300 MW of heat energy, of which 900 MW through cogeneration. All primary energy sources used – hydroelectric and cogeneration – are completely eco-compatible. The hydroelectric production plant plays a particularly important role in environmental protection as it uses a renewable and clean resource without the emission of pollutants. Hydroelectric energy reduces the need to turn to other forms of production that have a greater environmental impact. Environmental protection is a corporate priority for Iren Energia, which has always maintained that the development of hydroelectric production systems, in which it invests heavily each year, is one of the main ways to safeguard the local environment. Iren Energia's total heat production capacity is equal to 2,300 MWt, of which 40% is generated by Group-owned cogeneration plants, while the remainder comes from conventional heat generators. Heat production was in the region of 1,256 GWh_t in the first quarter of 2014, with district heating volumes of approximately 79 million m^3.

Electrical energy distribution
Through its subsidiary AEM Torino Distribuzione, Iren Energia distributes electrical energy to the entire metropolitan areas of Turin and Parma (around 1,094,000 residents). In the first quarter of 2014 the electrical energy distributed was equal to 996 GWh, of which 769 GWh in Turin and 227 GWh in Parma.

Gas distribution and District Heating
Iren Energia manages the district heating business in the city of Turin and owns one of the largest networks in Italy (approximately 520 km of dual piping at 31 December 2013).
Iren Energia also owns the district heating networks of Reggio Emilia, covering around 217 Km, of Parma with roughly 89 Km and Piacenza which covers approximately 20 km.

Lastly, Nichelino Energia - in which Iren Energia and AES Torino hold respective stakes of 67% and 33%, aims at developing district heating in the town of Nichelino.

Services to Local Authorities and Global Service

Iren Servizi e Innovazione operates in the following sectors: public and monument lighting, traffic light systems, global technology service management of buildings and renewable and alternative energies.
In addition, Iren Servizi e Innovazione constructs plants for the production of electrical energy from renewable sources, such as photovoltaic, solar thermal energy and biomass (woodchips and pellets), and similar such as trigeneration plants (combined cooling, heat and power or CCHP).

IREN MERCATO

Through Iren Mercato the Group sells electrical energy, gas and heat, supplies fuel to the Group, trades energy efficiency certificates (or white certificates), green certificates and emission trading, provides customer management services to Group companies and supplies heat services and sales heat through the district heating network.
Iren Mercato operates at national level with a higher concentration of customers served in the North of Italy. The company supplies electrical energy directly, through associates where present in the area, and through agency contracts with intermediary companies for customers associated with certain sector categories and for large customers connected with a number of Industrial Associations.
The main Group power sources available to Iren Mercato operations are the thermoelectric and hydroelectric plants of Iren Energia S.p.A.
Iren Mercato also acts as “higher protection” service operator for retail customers in the electrical energy market in Turin province and the Parma area.
Lastly, Iren Mercato handles heat sales to district heating customers in Turin and the provincial capitals of Reggio Emilia, Parma and Piacenza, together with sales development in new district heating areas and in the urban district of Turin for its surrounding municipalities (Nichelino).
Traditionally, Iren Mercato operates in the sector of direct sales of methane gas in the Genoa area and other surrounding provinces in Liguria and Lower Piedmont. Following the mergers in which it was involved, the company also serves the municipalities of Turin and Sassuolo (Modena) and the provinces of Reggio Emilia, Parma and Piacenza.
The Group also sells heat management services and global services both to private entities and public authorities. Development has focused on the management of air conditioning systems in buildings for residential and service use by means of energy service agreements, also through subsidiaries and investee companies. This contractual model guarantees long-term customer loyalty, with consequent maintenance of the natural gas supplies which constitute one of the core businesses of Iren Mercato.

Sale of natural gas

Total volumes of natural gas procured in the first quarter of 2014 were 901 million m^3 of which approximately 444 million m^3 were sold to customers outside the Group and 457 million m^3 were used within the Iren Group both for electrical energy and heat energy production and for the provision of heating services.

Sale of electrical energy

Volumes sold in the first quarter of 2014 amounted to 3,387 GWh.

A cluster analysis of end customers is provided below.

Free market and power exchange

Total volumes sold to end customers and wholesalers amount to 1,514 GWh, while the volumes used on the power exchange gross of energy bought/sold amounted to 1,674 GWh.
In the first quarter of 2014 availability within the Iren Group was affected by the break-up of Edipower at the end of October and to the transfer of ownership of the Tusciano (hydroelectric) and Turbigo (thermoelectric) plants to Iren Energia. Volumes produced internally by the Group totalled 2,308 GWh. Added to internal availability are the power exchange volumes (gross of energy bought/sold) for 477 GWh and from wholesalers for 513 GWh. The remaining part of sold volumes mainly refers to infra-group transactions and distribution losses.

Former non-eligible market
Total customers managed by Iren Mercato in the higher protection segment were around 323,000 in the first quarter of 2014. The total volumes sold amounted to 204 GWh, a decrease compared to the same period last year due to deregulation of the market, to which the company responded with marketing development initiatives that led to the transfer of a significant percentage of non-eligible market customers to the free market.

Sale of heat energy through the district heating network
Iren Mercato manages heat sales to customers receiving district heating in the municipalities of Genoa (through the CAE), Turin, Nichelino and in the provinces of Reggio Emilia, Piacenza and Parma.
This entails the supply of heat to customers already on the district heating network, customer relations management and the control and management of substations powering the heating systems of buildings served by the network. The heat sold to customers is supplied by Iren Energia S.p.A. under trading conditions that guarantee adequate remuneration.
In 2014, the district heating volumes in the Piedmont area amount to over 54 million m^3, whilst in the Emilia Romagna area the district heating volumes amounted to around 19 million m^3 and roughly 3 million m^3 in the Genoa area.

Heat service management
The Group sells heat management services and global services both to private entities and public authorities.

IREN ACQUA GAS

Integrated Water Services
Iren Acqua Gas manages the water services in the provinces of Genoa, Parma, Reggio Emilia and Piacenza, both directly and through the operating subsidiaries Mediterranea delle Acque and Idrotigullio and through the investee Am.Ter. In particular, from July 2004 it assumed the role of market operator for the Genoa ATO [Ambito Territoriale Ottimale], and from 1 July 2010 management of the water division for the Reggio Emilia and Parma ATOs was granted to Iren Acqua Gas as part of the Iride-Enìa merger.
From 1 October 2011, as a result of transfer of the water division from Iren Emilia, Iren Acqua Gas extended its management to the Piacenza ATO.
Through its own organisation, Iren Acqua Gas reaches a total of 177 municipalities serving over 2 million residents through its managed ATOs (Genoa, Reggio Emilia, Parma and Piacenza).
In the first quarter of 2014, Iren Acqua Gas, directly and through its subsidiaries, sold approximately 37 million m^3 of water in the areas managed, through a distribution network of over 14,100 km. With regard to waste water, the company manages a sewerage network spanning approximately 8,000 km.

Gas distribution
Through its subsidiary Genova Reti Gas, Iren Acqua Gas distributes methane gas in the municipality of Genoa and in another 19 surrounding municipalities, for a total of around 350,000 end customers. The distribution network comprises about 1,800 km of network of which about 418 km is medium pressure and the rest low pressure. The area served covers around 571 sq. km and is characterised by an extremely complex chorography with considerable changes in altitude. Natural gas arriving from the domestic transport pipelines transits through 7 interconnected methane reception cabins owned by the company and is introduced into the local distribution network. Thanks to innovative technologies for the laying and maintenance of networks, ordinary maintenance can be performed while reducing time, costs and inconvenience to residents to a minimum.
Through its subsidiary Genova Reti Gas, Iren Acqua Gas distributed 196 million m^3 of gas during the first quarter of 2014.

Special technological services/research

Through its Saster and SasterPipe Divisions, Genova Reti Gas is able to offer network engineering services to the market (IT, modelling, simulation) and upgrading of technological networks with no-dig technologies, of which the company has exclusive know-how. In order to specifically promote and organise scientific and cultural initiatives to safeguard the environment and water resources and to provide optimum network management services, in 2003 the Fondazione AMGA Onlus was also created. The foundation promotes and implements research, training and information projects, and provides support for initiatives implemented by other entities in relation to environmental protection and the organisation of public utility services.

IREN EMILIA

Iren Emilia operates in the gas distribution, waste collection and waste management sectors and coordinates the operations management activities of Emilia Romagna area companies for the integrated water cycle, electricity and district heating networks and other minor businesses (public lighting, public parks management, etc.).

Iren Emilia manages the natural gas distribution for 72 of the 140 municipalities in the provinces of Reggio Emilia, Parma and Piacenza. The company manages almost 5,950 km of high, medium and low pressure distribution networks with a designed maximum withdrawal capacity of 726,879 Smc/h.

Iren Emilia is active in the waste management service sector in the Piacenza, Parma and Reggio Emilia provinces, serving a total of 116 municipalities and 1,135,000 inhabitants in these areas. In line with its sensitive approach to environmental protection and sustainable development, Iren Emilia has implemented widespread separate waste collection systems which, also through the management of 123 equipped ecological stations, has allowed the area served to achieve a 62.1% improvement in results.

In particular, the company performs urban waste collection, street and pavement cleaning, snow clearing, cleaning and maintenance of parks and urban green areas, and dispatches recyclable waste to the correct chains for transformation into raw materials or renewable energy. Through Iren Ambiente, an Iren Group company, it ensures that waste collection takes place in such a way as to preserve and safeguard the environment and studies aspects of the waste collection problem, increasing its knowledge of technologies that are more innovative and “environmentally safe” than those used at present.

Iren Emilia also carries out operations management of the integrated water cycle (aqueduct, purification and sewerage) in the provinces of Parma, Piacenza and Reggio Emilia. This activity refers to a total network of 12,250 km of aqueduct networks, 6,900 km of sewerage networks, 489 waste water pumping systems and 794 purification plants, both biological treatment plants and Imhoff tanks, distributed across 110 Municipalities.

The operations management of the district heating network is carried out in the cities of Reggio Emilia, Parma and Piacenza and refers to a total network spanning 325 km that serves a total volume of 19.3 million m^3.

Iren Emilia also runs the district heating plants through the management, extraordinary maintenance and operation of heat energy plants and cogeneration plants owned by Iren Energia in the three provinces of Parma, Reggio Emilia and Piacenza.

Operations management of the electrical energy distribution network is carried out in the city of Parma and concerns 2,400 km of network and almost 125,000 delivery points to end customers.

IREN AMBIENTE

Waste Management segment

Whether directly or through investees, Iren Ambiente performs the treatment, disposal, storage, recovery and recycling of urban and special waste, energy recovery (heat and electrical energy) through waste-to-energy (WtE) transformation and the operation of plants for the production of bio gas in the provinces of Parma, Reggio Emilia and Piacenza.

Iren Ambiente manages a significant customer portfolio to which it provides services for the disposal of special waste and it performs the treatment, selection, recovery and final disposal of urban waste collected by Iren Emilia S.p.A.

The non-separated portion of waste collected is disposed of in various ways as part of research into the best use of waste through an industrial process involving mechanical selection to reduce the percentage destined to WtE conversion and disposal in landfills.
Iren Ambiente handles around 1,000,000 tons of waste per year in 12 treatment, selection and storage plants, 2 waste-to-energy plants (Piacenza and Parma), 1 landfill (Poiatica - Reggio Emilia) and 2 composting plants (Reggio Emilia). The new Integrated Environmental Hub (IEH), a waste selection and waste-to-energy plant in the province of Parma, was started up in April 2014.

IREN GROUP PERSONNEL

At 31 March 2014, the employees working for the Iren Group totalled 4,529, down by 3.6% compared to the figure at 31 December 2013 which was 4,696 employees. The table below provides a breakdown of personnel at 31 March 2014, divided into Holding and First-level companies (with related subsidiaries).

Company	Personnel at 31.03.2014	Personnel at 31.12.2013
Iren S.p.A.	256	261
Iren Acqua Gas and subsidiaries	902	977
Iren Ambiente and subsidiaries	199	208
Iren Emilia and subsidiaries	1,662	1,667
Iren Energia and subsidiaries	1,067	1,133
Iren Mercato and subsidiaries	443	450
Total	**4,529**	**4,696**

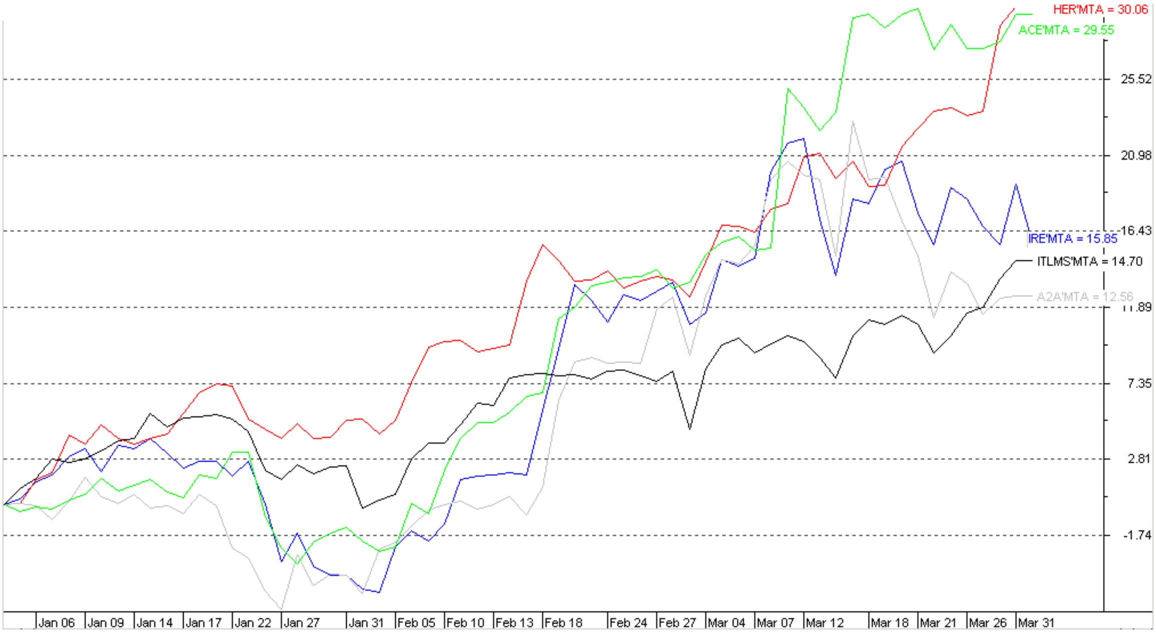
The decrease of 167 staff in 2014 is mainly associated with the deconsolidation of Iren Rinnovabili, Società Acque Potabili and OLT, and to the combined effect of the deconsolidation of AES and acquisition of the related district heating segment mentioned in the introduction to this report. (For further information reference should also be made to the paragraph “Events after the reporting period”). Note that since the Iren Group was established (01/07/2010) the workforce has decreased overall by 343 (-166 as the balance of recruitments/resignations; -177 due to changes in consolidation).

INFORMATION ON THE IREN SHARE IN THE FIRST THREE MONTHS OF 2014

Iren share performance on the Stock Exchange

During the first quarter of 2014 the Italian Stock Exchange maintained a positive trend due, mostly associated with an easing of financial tension.
In this context, the Iren share recorded an approximate 16% growth, a few percentage points better than the MTA index (up 14.7%) and better than A2A (up 12.6%), which has a business portfolio similar to that of Iren. Both are exposed to deregulated activities (generation and sales of electrical energy) to a greater extent than Hera and Acea which, in the persistently weak energy sector scenario, recorded better performances.

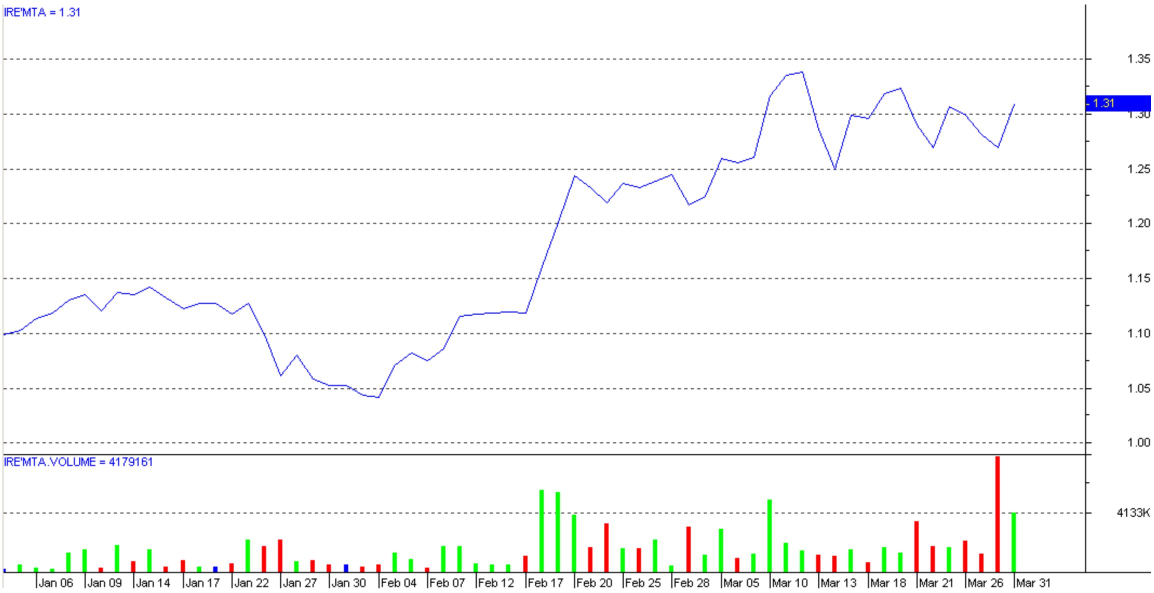
COMPARISON BETWEEN THE SHARE PERFORMANCES OF IREN AND COMPETITORS



At the end of March 2014 the Iren share recorded Euro 1.31 per share, with average trading volumes since the start of the year of around 2 million units per day.
In the same period the average share price was Euro 1.18, peaking at Euro 1.34 on 11 March and bottoming out at Euro 1.04 on 4 February.

STOCK EXCHANGE DATA	euro/share in the first 3 months of 2014
Average price	1.18
Highest price	1.34
Lowest price	1.04
Number of shares ('000)	1,276,226

IREN SHARE PRICE AND TRADING VOLUME PERFORMANCE

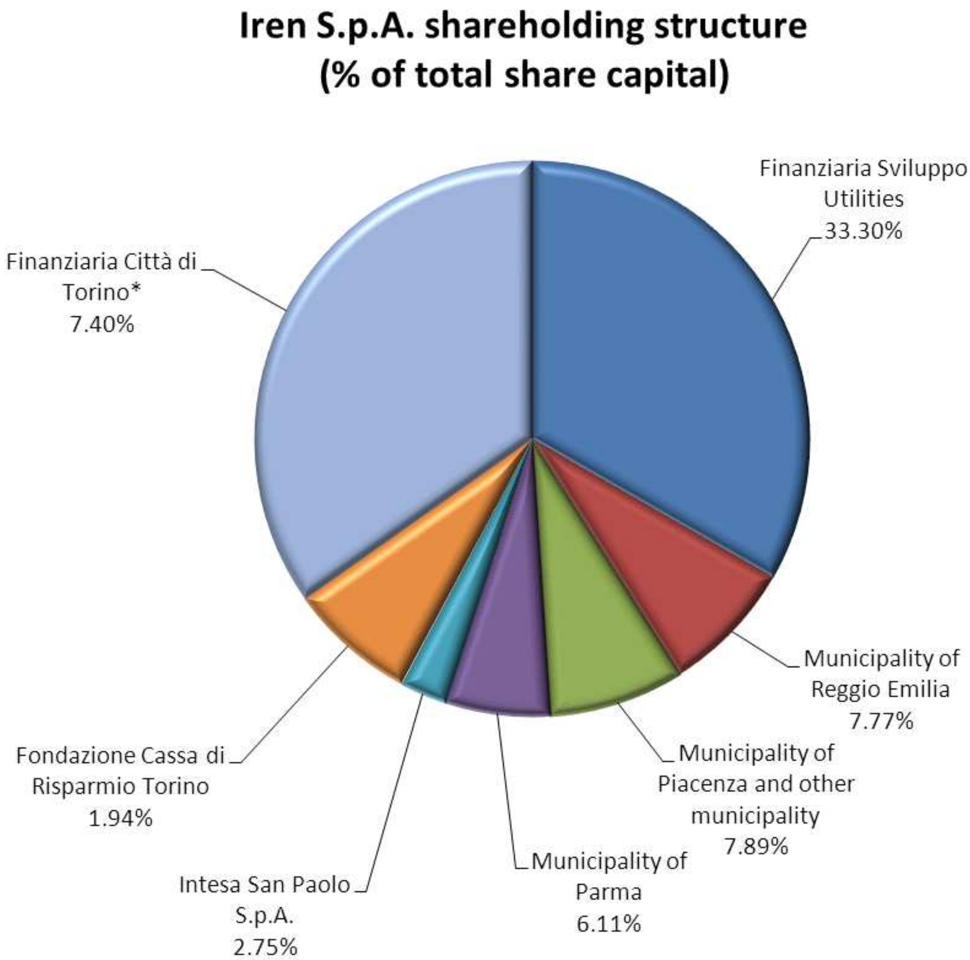


Share coverage

The Iren Group is currently covered by four brokers: KeplerCheuvreux, Equita, Intermonte and Banca Akros.

Shareholding structure

At 31 March 2014, based on available information, the shareholding structure of Iren was as follows:

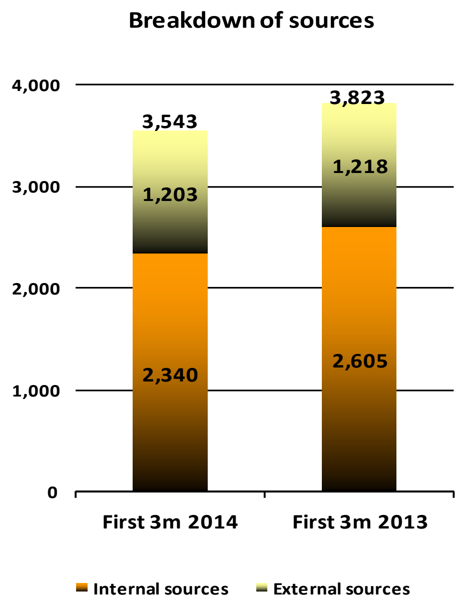


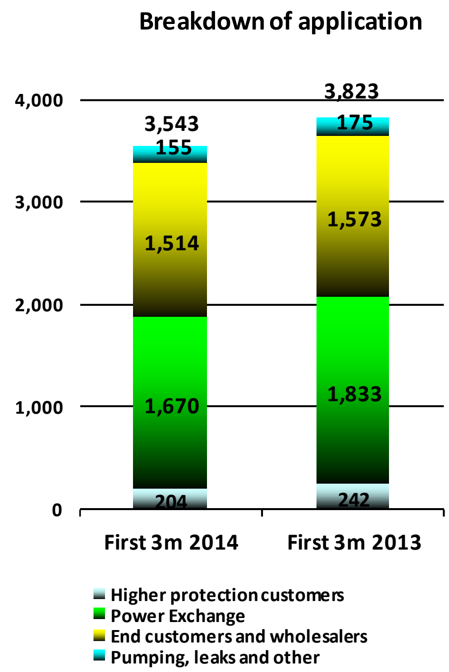
(*) savings shares without voting rights

OPERATING DATA

GWh	First 3 months 2014	First 3 months 2013	% Change
SOURCES			
Gross production	2,340	2,605	-11.3
a) from cogeneration sources	*1,721*	*2,122*	*-18.9*
b) from hydroelectric sources	*245*	*156*	*57.1*
c) from thermoelectric sources	*292*	*0*	*n.s.*
d) from WTE	*82*	*24*	*(*)*
e) from Edipower plants	*0*	*303*	*(*)*
Purchases from Acquirente Unico	214	254	-15.6
Energy purchased on the Power Exchange	477	422	13
Energy purchased from wholesalers	513	542	-5.4
Total Sources	**3,543**	**3,823**	**-7.3**
APPLICATION			
Sales to protected customers	204	242	-15.6
Sales on the Power Exchange	1,670	1,833	-8.9
Sales to eligible end customers and wholesalers	1,514	1,573	-3.8
Pumping, distribution losses and other	155	175	-11.4
Total Application	**3,543**	**3,823**	**-7.3**

(*) Change of more than 100%

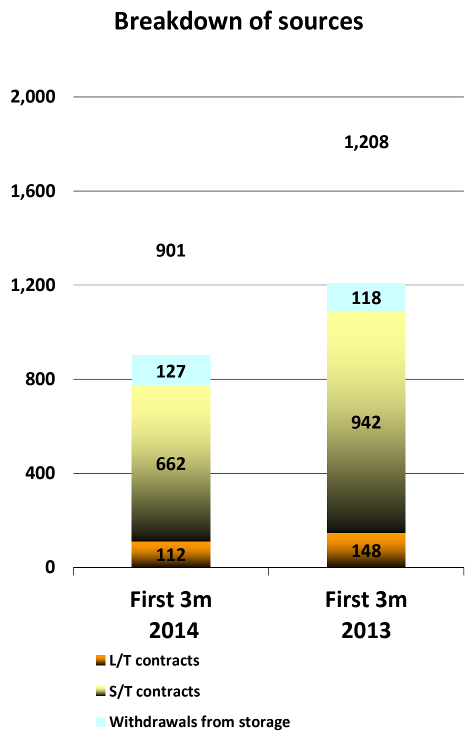


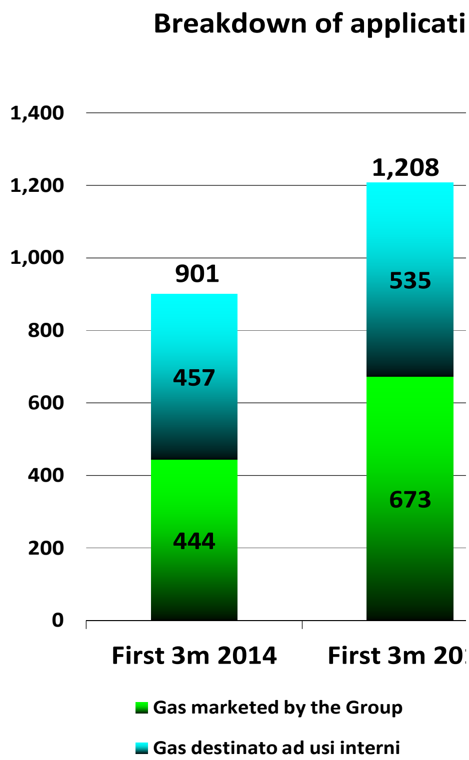


Gas Production

Millions of m³	First 3 months 2014	First 3 months 2013	% Change
SOURCES			
Long-term contracts	112	148	(24.3)
Short-term contracts (annual and spot)	662	942	(29.7)
Withdrawal from storage	127	118	7.6
Total Sources	**901**	**1,208**	**(25.4)**
APPLICATION			
Gas sold by the Group	444	673	(34.0)
Gas in storage	0	0	-
Gas for internal use [1]	457	535	(14.6)
Total Application	**901**	**1,208**	**(25.4)**

[1] Internal use involved thermoelectric plants, tolling, use in the generation of heat services and internal consumption.





Network services

	First 3 months 2014	First 3 months 2013	% Change
ELECTRICAL ENERGY DISTRIBUTION			
Electrical energy distributed (GWh)	996	1,067	(6.7)
GAS DISTRIBUTION			
Gas distributed by Iren Acqua Gas (mln m³)	*196*	*204*	*(3.9)*
Gas distributed by Iren Emilia (mln m³)	*352*	*468*	*(24.8)*
Total Gas distributed	548	672	(18.4)
DISTRICT HEATING			
District heating volume (mln m³)	79	77	3.1
District heating network (Km)	858	825	4.0
INTEGRATED WATER SERVICE			
Water volume (mln m³)	37	38	(2.6)

MARKET CONTEXT

The domestic energy context

In the period January-March 2014 the net electrical energy production in Italy was 65,485 GWh, recording a decrease (-5.9%) on the same period of 2013. The demand for electrical energy, equal to 78,141 GWh (-3.7%), was 84.7% met by domestic production (-1.6%), with the remaining 15.3% coming from the foreign balance. At domestic level, thermoelectric production was 42,413 GWh, down 15.3% on 2013 and covering 64.8% of production supply. Production from hydroelectric sources was 12,989 GWh (+33.7% compared to 2013) covering 19.8%, whilst geothermal, wind and photovoltaic energy production amounted to 10,083 GWh (+2.6%) and covered 15.4% of supply.

Demand and supply of accumulated electrical energy

(GWh and annual changes)

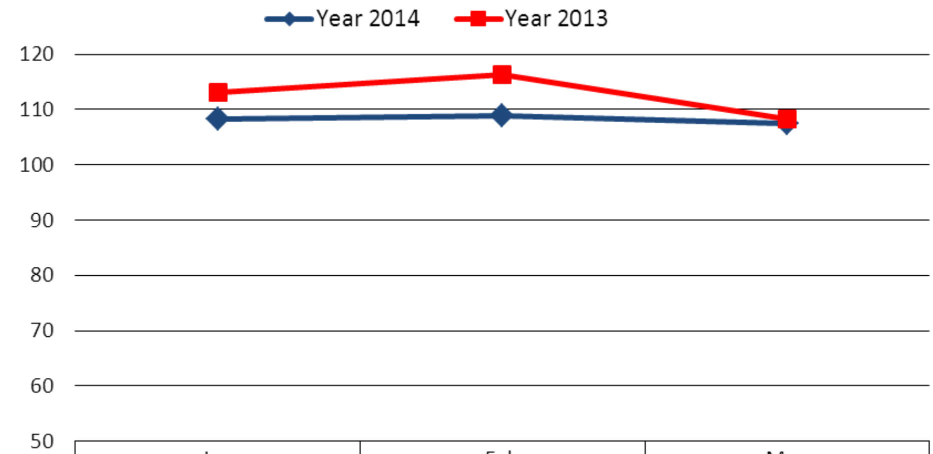
	up to 31 March 2014	**up to 31 March 2013**	**% change**
Demand	**78,141**	**81,166**	**(3.7)**
- Northern Italy	36,710	37,964	(3.3)
- Central Italy	22,499	23,565	(4.5)
- Southern Italy	11,721	12,048	(2.7)
- Islands	7,211	7,589	(5.0)
Net production	**65,485**	**69,592**	**(5.9)**
- Hydroelectric	12,989	9,714	33.7
- Thermoelectric	42,413	50,047	(15.3)
- Geo-thermoelectric	1,339	1,273	5.2
- Wind and photovoltaic	8,744	8,558	2.2
Foreign balance	**13,392**	**12,085**	**10.8**

Source: RIE on TERNA data

Overall, the first three months of 2014 saw a 3.7% drop in electricity demand compared to the same period of the previous year, corresponding to around -3.0 TWh, whilst it remains practically the same as in the previous quarter (-0.1%). Percentage decreases were seen in all areas of the country, the highest being recorded in Sicily (-6.0%), followed by the North-west of Italy (-5.1%).

In the first three months of 2014 the average crude oil price was USD 108.2 per barrel, down -3.9% on the same period of 2013. The average USD/EUR exchange rate was 1.37, with the Euro up on the average recorded in the same period of 2013 (1.32). As a result of these changes, the average crude oil price in Euro was € 79 per barrel in 2014, -7.3% lower than the average price for 2013.
In the first quarter of 2014 the Brent Dated prices in USD saw a downward trend compared to the previous quarter. The prices for January and February remained steady on average at USD 108.5 per barrel, compared to USD 110 per barrel in December, then dropping back to USD 107 per barrel in March. The strongest daily fluctuations were seen in March, a month in which both the peak price (USD 111.3 per barrel) and the lowest price (USD 105.7 per barrel) were recorded.
The current context shows a clear gap between the comforting status of real fundamentals on the one hand, and strong geopolitical tension on the other. Even more so if we consider that the latter, in addition to continuing in the Middle East and North Africa, are now affecting the Black Sea region, exposing short and medium-term positions to potentially significant instability. The threshold of USD 100 per barrel, that the Brent has struggled to abandon except for very short periods of time, is again confirmed.

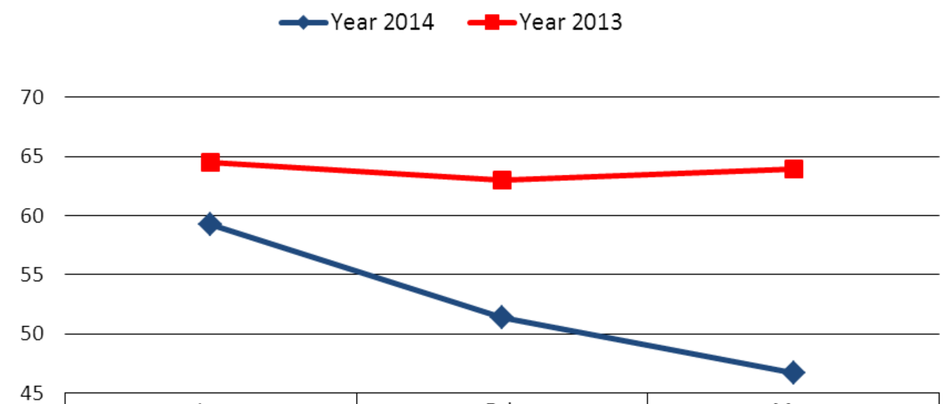
Brent price performance (Euro per barrel)



	Jan	Feb	Mar
Year 2014	108.25	108.87	107.54
Year 2013	113.01	116.28	108.37

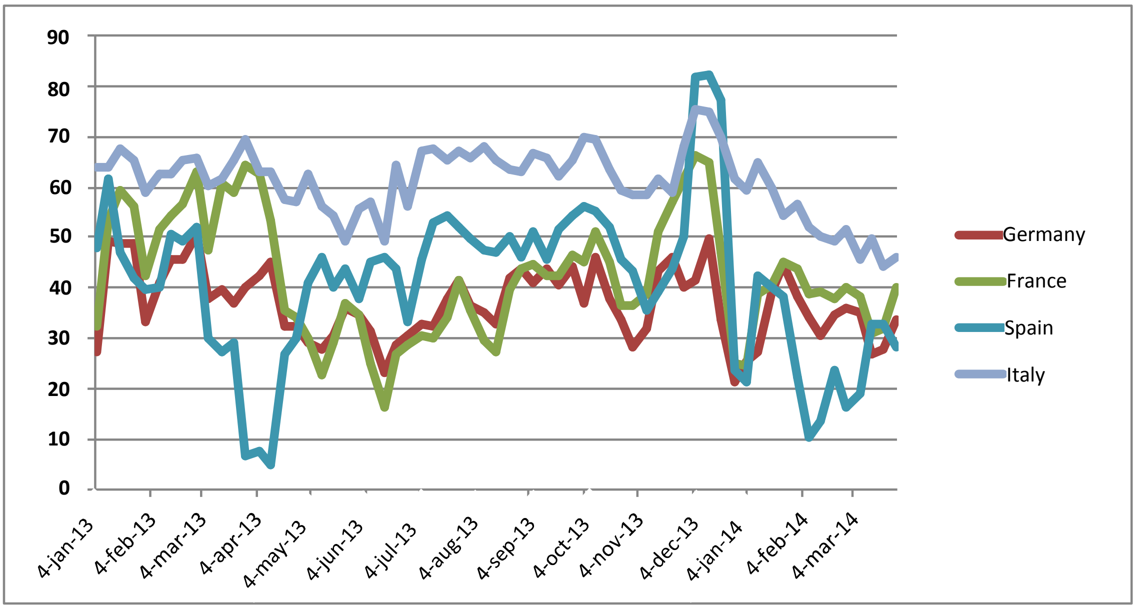
The power exchange closed the first quarter of 2014 with an average price of 52.5 €/MWh, which for the period under review was the lowest since start-up of the IT platform. The value dropped dramatically by more than 11 €/MWh compared to the first quarter of 2013, with a percentage decline of 17.8%. The difference is even more marked when compared to the fourth quarter of 2013: a drop of around 12.7 €/MWh corresponding to -19.2%.
As regards regional prices, at the start of 2014 - like last year - Southern Italy was the area recording the lowest prices, whilst the peak price was seen in Sicily, with 47.4 €/MWh and 74.6 €/MWh respectively. Sicily confirms the offtrend compared to the PUN (national single price), rising from +36.9% for the first quarter of 2013 to 42.1% this year.

Average purchase price on the power exchange (MGP)
PUN – National Single Price



	Jan	Feb	Mar
Year 2014	59.27	51.34	46.73
Year 2013	64.49	62.97	63.98

In the first quarter the main European power exchanges recorded an average price of 32.4 €/MWh with a spread against the average national single price of around 20 €/MWh. This spread remained more or less stable compared to the previous quarter (20.8 €/MWh) and was up on the same quarter last year (18.9 €/MWh).



With regard to the futures market, the following table shows values and comparisons between average monthly future prices on the IDEX. In the three months from January to March decreases were recorded in all the prices. Annual future prices (December 2015), which stood at 58.1 €/MWh in January, dropped to 55.0 €/MWh in March (-3.1 €/MWh).

January 2014 futures		February 2014 futures		March 2014 futures	
monthly	**€/MWh**	**monthly**	**€/MWh**	**monthly**	**€/MWh**
Feb-14	63.8	Mar-14	53.6	Apr-14	47.5
Mar-14	61.3	Apr-14	52.1	May-14	46.4
Apr-14	58.1	May-14	50.6	Jun-14	50.9
quarterly	**€/MWh**	**quarterly**	**€/MWh**	**quarterly**	**€/MWh**
Jun-14	56.9	Jun-14	52.2	Jun-14	48.6
Sep-14	62.9	Sep-14	59.2	Sep-14	57.2
Dec-14	62.5	Dec-14	60.1	Dec-14	59.3
Mar-15	61.6	Mar-15	58.8	Mar-15	57.8
yearly	**€/MWh**	**yearly**	**€/MWh**	**yearly**	**€/MWh**
Dec-15	58.1	Dec-15	56.2	Dec-15	55.0

Source: RIE on IDEX data

The Natural Gas Market

After the strong annual decrease of 4.8 bln m^3 (-6.5%) in 2013 compared to 2012, the first three months of 2014 recorded a new heavy drop in demand for natural gas. The figures provided by Snam Rete Gas show a decline in total consumption of no less than 4.8 bln m^3 (-18.3%) compared to the same period of 2013. 70% of the decrease is due to less withdrawn from the distribution networks, which recorded -20.9% (-3.4 bln m^3) due to an extremely mild winter season, and 30% is due to the -23.7% decrease in the use of thermoelectric energy (-1.4 bln m^3) as a result of the electricity demand trend (-3.7% for -3 TWh) and the increase in the contribution from renewable sources (+18% for around +3.5 TWh) particularly sustained by hydroelectric production (+33.7%). Compared to the first quarter of 2008 the decline in plant consumption is almost 50%. Industrial consumption showed a slight increase compared to 2013 (+0.9%).

On the input side, total imports have fallen by 13.4% since the start of the year compared to 2013. Approximately 59% of gas came from Tarvisio (mostly Russia), 15.3% from Mazara del Vallo (Algeria), 9.7% from Gela (Libya), again 9.7% from Passo Gries (Northern Europe) and 6.5% from the Rovigo regasification terminal. National production fell by 7.4%.

The mild winter and weak demand led to reduced recourse to storage. Stogit data shows that at 31 March, the formal end of the distribution period, user inventories still stood at 3 bln m^3, equal to 31.4% of volumes recorded at 1 November 2013 (9.6 bln m3). Inventories at 31 March 2013, on the other hand, amounted to 1.4 bln m^3.

Application/sources of natural gas in the period January-March 2014 and comparison with previous years

January-March	**2014**	**2013**	**2012**	**2011**	**% change '14/'13**	**% change '14/'12**	**% change '14/'11**	**2008**	**% change '14/'08**
GAS WITHDRAWN (Bln m³)									
Distribution plants	12.7	16.1	15.9	15.8	(20.9)	(19.9)	(19.6)	14.7	(13.3)
Industrial use	3.6	3.5	3.7	3.7	0.9	(4.6)	(4.0)	4.2	(16.2)
Thermoelectric use	4.5	5.9	6.9	7.6	(23.7)	(35.3)	(41.4)	8.9	(49.4)
Third party network and system consumption (*)	0.6	0.7	0.9	0.9	(10.2)	(27.7)	(29.4)	1.0	(38.8)
Total withdrawn	**21.4**	**26.2**	**27.4**	**28.1**	**(18.3)**	**(22.0)**	**(23.8)**	**28.8**	**(25.8)**
GAS INPUT (bln m³)									
Domestic production	1.7	1.9	2.0	1.9	(7.4)	(15.0)	(9.6)	2.3	(25.7)
Imports	14.5	16.8	20.4	21.6	(13.4)	(28.8)	(32.8)	23.0	(36.8)
Storage	5.1	7.5	4.9	4.5	(32.0)	3.2	13.2	3.5	47.4
Total input	**21.4**	**26.2**	**27.4**	**28.1**	**(18.3)**	**(22.0)**	**(23.8)**	**28.8**	**(25.8)**

(*) Includes: transport, exports, transport company redeliveries, reservoir/widening changes, losses, consumption and gas not accounted for.

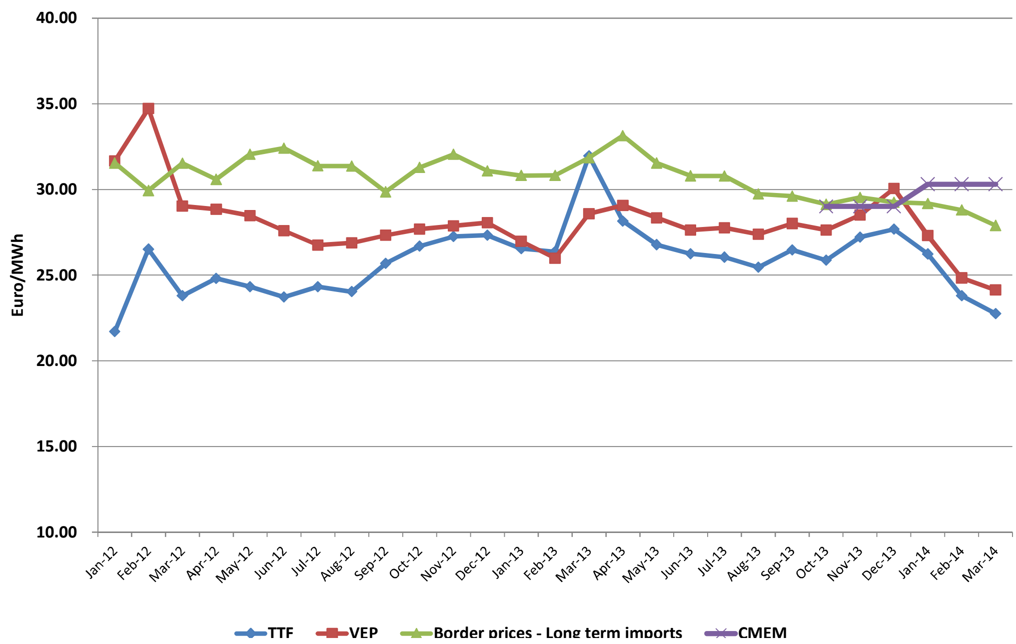
Source: Processing of Snam Rete Gas figures, provisional for January-March 2013

In a context of weak demand for thermoelectric and industrial use, a winter milder than average throughout Europe has led to a decrease in spot and future wholesale prices at all the main gas hubs, both compared to the end of 2013 and to the first quarter of last year. Spot prices on the Dutch TTF, the reference hub for continental Europe, dropped from 27.7 €/MWh in December 2013 to 22.8 €/MWh in March 2014 (-18%). The average price for the first quarter of 2014 was 24.3 €/MWh, 8% down on the same period last year (26.9 €/MWh). At the Italian VEP, values declined from 30.1 €/MWh at year end to 24.1 in March (-20%). The quarter under review recorded an average price of 25.4 €/MWh, down 6% compared to the first three months of 2013 (27.2 €/MWh). On average, the VEP and balancing market (Pb-Gas) prices were aligned. The difference between the VEP and TTF during the quarter was around +1.2 €/MWh, increasingly slightly in March to +1.4 €/MWh. Overall, the first quarter's price do not seem as yet to have felt any significant impact from the Russia-Ukraine crisis.

The C_{MEM}, which reflects the cost of gas purchases at protected market prices defined by the AEEG from 1 October 2014 on the basis of TTF forward prices ("charged back" to the VEP by adding special transport components), was 32.43 Eurocents/m^3, corresponding to 30.3 €/MWh.

Comparing the first two quarters for the last two years, spot prices seem to have widened the gap with border prices of long-term imports contracts from -9% to -15%. This is the result of the considerable reduction in prices at the hubs recorded in the 2014 winter months for the reasons already mentioned, against border prices that remained stable in 2013 and are now falling. Consequently, the international renegotiation of long-term contracts continued or has been concluded with a view to stronger alignment between the two price levels, also with backdated effects.

Gas price trends on the wholesale markets



** Estimated values also based on World Gas Intelligence figures*

Note: the C_{MEM} prices were translated into €/MWh on the basis of heating power of 38.52 Mj/Sm³

Source: RIE processing of Platts, AEEG and WGI data

A glance at the international gas prices for a comparison with the three main macro areas of the market, US prices - despite rising to 5.2 $/MBtu (from 3.4 last year) due to the exceptional freezing weather that characterised the North American winter - still stand at around half the European prices (10-11.5 $/MBtu), whilst in NE Asia the winter season and strong demand again led to spot prices recording values of 18 $/MBtu.

REGULATORY FRAMEWORK

Information is provided below on the main new regulations issued during the first three months of 2014 which influence the Group's operating segments. For a more complete analysis reference should be made to the Group's 2013 Consolidated Financial Statements.

Electrical energy

AEEGSI Resolution no. 6/2014/R/eel of 16 January 2014, "Launch of integration procedures for rules on production capacity remuneration mechanisms"
The AEEGSI began a procedure which aims to formulate a proposal envisaging: a) the setup of a capacity market segment dedicated to production capacity trading that is able to provide the necessary flexibility services to meet the long-term needs estimated by Terna, to integrate the new capacity market format already submitted by Terna to the Ministry for Economic Development; b) remodelling of the transitional measure, pursuant to art. 5, Legislative Decree 379/03 to align this with the aims of the fully operative mechanism, i.e. the supply also of "suitable flexibility services to the extent strictly necessary to guarantee power system safety".

Resolution 13/2014/R/efr of 23 January 2014, "Definition of the tariff contribution to cover costs incurred by distributors subject to energy efficiency certificate obligations with effect from the 2013 mandatory period"
In implementation of art. 9 of the Ministry for Economic Development Decree of 28 December 2012, the AEEGSI has defined the new criteria for quantifying the tariff contribution for energy efficiency certificates (EECs) to be recognised to distributors obligated from the 2013 mandatory period.
The new calculation criteria for the single tariff contribution envisage that the contribution is calculated and suitably update so as to reflect the price performance of white certificates on the related market. Previously the tariff contribution was defined ex ante, before the start of the mandatory period, and only took into consideration the average percentage change in electricity, gas and heating oil bills, with no reference whatsoever to the prices recorded on the EEC market.
The new measure requires that at the start of each mandatory period the Regulator defines and publishes the provisional contribution value, which is not however recognised immediately to the obligated distributors, but instead acts as benchmark for the EEC market. It is only at the end of the mandatory period that the Authority calculates the final tariff contribution, using the formula indicated in the resolution, which is then actually disbursed to the obligated distributors.
On first-time application for 2013, as there were no previous benchmarks, the provisional contribution is set at 96.43 €/EEC, on the basis of trading values recorded on the EEC market over the last two years, also to reduce the previous aggregate imbalance between contributions recognised to distributors until now and the average prices recorded on the EEC market. From next year and until the 2016 mandatory period, the provisional contribution will be calculated on the final contribution decided for the previous year, adjusted according to percentage changes in energy bills issued to domestic customers.

Law no. 9 of 21 February 2014, converting with amendments Law Decree no. 145 of 23 December 2013 on "Urgent measures for launch of the 'Destination Italy' plan, on limiting electricity and gas tariffs, on internationalisation, development and digitalisation of companies, and measures for public works performed for EXPO 2015"
Article 1 states that "within 90 days of the entry into force of this decree, the AEEGSI shall update the criteria for determining the reference prices for supply to end customers not covered by the free market, taking into account any changes in the actual hourly trends of electricity prices recorded by the market". On this aspect, AEEGSI resolution 170/2014/R/eel of 10 April 2014 reconfirmed the mechanism currently in operation pending a clear and final picture of the intervening changes;
- "with effect from 1 January 2014, the minimum prices guaranteed by the Authority for the purpose of application of art. 13, paragraphs 3 and 4, Legislative Decree no. 387 of 29 December 2003 and of art. 1, paragraph 41, Law no. 239 of 23 August 2004, are for each plant equal to the regional hourly price if the energy withdrawn is produced by plants with access to electricity tariff incentives on the energy produced, except for electrical energy input from photovoltaic plants with a nominal capacity of up to 100 kW and hydroelectric plants with a capacity of up to 500 kW";
- that producers of energy from renewable sources that are owners of plants benefiting from incentives in

the form of green certificates, all-inclusive tariffs or bonus tariffs can:
a. continue to benefit from the previous incentive scheme for the rest of the period of eligibility;
b. opt for remodelling of the incentive due in order to encompass the useful life of the plant. Such an option offers the right to increase the incentive period by 7 years, against an immediate decrease in the incentive, the extent of which will be defined in a later Ministry for Economic Development decree, after consulting the Authority regarding the remaining period of eligibility, the type of renewable source, the type of incentive and the remodelling costs;
- that by 30 June 2016 the Sardinia Regional Government can launch a tender procedure for the construction in the Sulcis Iglesiente area of a coal-powered thermoelectric plant equipped with a section to capture and store carbon dioxide, and that this plant will be recognised economic incentives commensurate with the electrical energy produced and input to the network, the related costs of which will be covered by the electricity tariffs;
- within six months of the entry into force of the conversion law, in order to more easily compare contractual offers targeting end customers for the purchase of gas or electricity, the AEEGSI will identify the basic cost components to be compulsorily indicated in the offers and will determine penalties for any breach by selling entities.

Gas

By **Resolution 95/2014/R/Gas of 6 March 2014, "Criteria for defining the economic terms of the protection service for thermal year 2014-2015"**, the Authority established the rules for the next thermal year for recognition in the protected service price[1] of the gas purchase cost and wholesale marketing costs incurred by the seller. The main contents of the action are as follows:

- for calculation of the C_{MEM} component of the purchase cost (approximately 55% of the pre-tax price), the Authority has confirmed the quarterly forward prices on the Dutch TTF hub as the benchmark;
- with regard to the "GRAD" component recognised to sales companies for step-by-step transition to the new spot price-linked system, contrary to the provisions of Resolution 196/2013/R/Gas, the Authority has established that for the next thermal year this component will not increase to 1.25 Eurocents/m^3 but will remain at the current level of 0.5 Eurocents/m^3. However, the remaining 0.75 Eurocents/m^3 will be "recovered" in thermal year 2016-2017, and therefore the component will apply for four years rather than the planned three;
- for the "CCR" component covering wholesale purchases and related risks, the value corresponding to the recognition of operating costs and remuneration is confirmed (around 60% of the total CCR value), but the levels and measurement method for certain risk profiles have been reviewed. The resolution defers the new total quantification of the component to a later resolution, as the measurement of specific amounts to cover "profile" and "climatic event" risks is tied to the outcome of the auction to assign the peak storage service held in March.

The more recent **Resolution 162/2014/R/Gas of 3 April 2014, "Economic terms of the natural gas protection service: definition of the CCR component for thermal year 2014-2015, identification of the price source for calculation of the CMEM component and amendments to the TIVG"** consequently defined the method for quantifying the CCR for thermal year 2014-2015 with a decrease in the previous overall value of 0.36 Eurocents/m^3 (-11.6%) for the winter season and 0.29 Eurocents/m^3 (-9.6%) for the summer season[2].

Resolution 134/2014/R/Gas of 27 March 2014, "Update for the quarter 1 April-30 June 2014 of the economic terms for the supply of natural gas for the protection service" established an increase from 1 April 2014 from 0.35 Eurocents/m^3 to 1.55 Eurocents/m^3 of the step component C_{PR}, applicable on the price to the end customer to cover the process of renegotiating long-term procurement contracts.

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[1] Domestic and apartment block customers with consumption of less than 200,000 m^3 per year.
[2] With a heating power of 38.52 Mj/m^3, the new CCR component is 2.78 Eurocents/m^3 for the winter season and 2.72 Eurocents/m^3 for the summer season.

The **Ministry for Economic Development Decree of 19 February 2014** established the quantities and general rules for the assignment of storage capacity for the contractual year 2014-2015: 6,950 million m^3 are reserved for the seasonal peak service to modulate domestic consumption and 1,610 million m^3 for the "standardised" service for industries and power plants. The peak service quantity to be assigned via auction is set at 3,474 million m^3 (up on the 2,500 million m^3 of last year). The Ministerial Decree also establishes (in art. 1) that a storage capacity of 500 million m^3 of that becoming available after recalculation of strategic storage volumes is assigned for the offer of integrated regasification services, including gas storage reserved for industrial customers. Furthermore, the Decree establishes supply performance profiles of the plants in order to guarantee maximum service in January and February.

By **Resolution 85/2014/R/Gas of 27 February 2014, "Provisions on assigning storage capacities for the thermal storage year 2014-2015"**, following issue of the Ministerial Decree of 19 February referred to above, the Authority decided the organisational methods for auction procedures to assign storage capacities, envisaging the application of the marginal price criterion to the initial auctions for the peak service and pay-as-bid for all other auctions.

In implementation of the Authority's resolutions of last autumn and the end of last year (446/2013/R/Gas, 520/2013/R/Gas, 552/2013/R/Gas and 645/2013/R/Gas), the GME **amended the balancing market regulation** in reference to the new G-1 segment with effect from 4 February 2014. The aim of this segment is to allow the national transmission network operator to activate various flexible gas resources on the day-ahead platform (G-1), based on economic merit and thereby limiting the situations in which storage resources can reach critical condition. The new rules define more regions in which offers can be placed, corresponding to one or more flexible resources also in addition to storage and imports, for example availability at regasification terminals and linepacks.

SIGNIFICANT EVENTS OF THE PERIOD

Issue of a Private Placement for Euro 100 million with 5-year maturity
On 11 February 2014 Iren S.p.A. successfully completed the issue of a Private Placement for a total of Euro 100 million with a 5-year maturity and coupon payments at 3% p.a.
The bonds, listed on the Irish Stock Exchange, are fully subscribed by Morgan Stanley and are reserved for trading with institutional investors.
This transaction follows the initial bond placement completed in 2013.

Tap Issue for the Private Placement transaction completed on 14 October 2013, increasing the total by Euro 50 million
On 19 March 2014, Iren S.p.A. successfully concluded the tap issue for the 4.37% fixed rate bond placement completed on 14 October 2013 and maturing 14 October 2020.
The bonds, listed on the Irish Stock Exchange, are reserved for institutional investors only.
This transaction offered Euro 50 million in additional funding over and above the Euro 210 million of the original issue (including the tap issue performed on 29 October 2013), with the same maturity and coupon payments but with a lower return (below 4%).

Agreement for the gradual integration of Unieco's Waste Management Division into the Iren Group
On 28 February 2014 the Iren Group, through its subsidiary Iren Ambiente S.p.A., and Unieco Società Cooperativa, through its subsidiary UCM S.r.l., signed an agreement for the gradual integration of Unieco's Waste Management Division into Iren Ambiente.
In line with provisions of the Business Plan, this transaction will allow the Iren Group to strengthen its position in the waste management sector, becoming one of the national leaders active in all phases of the waste management chain, to develop its presence in the reference regions (Emilia Romagna, Liguria and Piedmont) and to expand its geographic catchment area to regions with high development potential.

Takeover bid on Acque Potabili S.p.A.
On 11 March 2014, Iren S.p.A., Iren Acqua Gas S.p.A. (IAG) and Società Metropolitana Acque Torino S.p.A. (SMAT) agreed to launch a voluntary global takeover bid, through Sviluppo Idrico S.r.l., a company whose share capital is held in equal parts by IAG and by SMAT, in accordance with art. 102 et seq. of the Consolidated Law on Finance with regard to 13,785,355 ordinary shares of Acque Potabili S.p.A. - Società per la condotta di Acque Potabili (SAP). IAG and SAP hold 11,108,795 and 11,109,295 SAP shares, respectively, for a total of 61.71% of the company's share capital.
The primary aim of the takeover bid is the delisting from the MTA market operated by Borsa Italiana of ordinary SAP shares.
The amount payable by the bidder for each share subscribed as part of the global bid will be Euro 1.05, including a share premium of 15.5% compared to the weighted average of official share prices recorded in the six months prior to the reference date (10 March 2014):
The subscription period for the voluntary takeover bid is from 14 April 2014 to 30 May 2014, inclusive.

PREPARATION CRITERIA

CONTENT AND STRUCTURE

The consolidated interim report at 31 March 2014 was prepared in compliance with art. 154-ter "Financial reporting" of the Consolidated Finance Act ("TUF") introduced by Italian Legislative Decree no. 195/2007 based on which Italian lawmakers implemented Directive 2004/109/EC (known as the Transparency directive) regarding periodic disclosure and based on Consob communication no. DEM/8041082 of 30 April 2008. Said provision replaces those provided for by art. 82 "Quarterly report" and Annex 3D ("Quarterly report drafting criteria") in the Issuers' Regulation.
The accounting standards used to prepare the report are the "International Financial Reporting Standards – IFRS" issued by the International Accounting Standards Board ("IASB") and approved by the European Commission. "IFRS" also includes the International Accounting Standards ("IAS") still in effect, as well as all interpretations issued by the International Financial Reporting Interpretations Committee ("IFRC") and the previous Standing Interpretations Committee ("SIC").

ACCOUNTING PRINCIPLES ADOPTED

Detailed below are the policies adopted in drawing up this Interim Report at 31 March 2013 of the Iren Group. The accounting policies described are the same as those adopted for the Iren Group Consolidated Financial Statements at 31 December 2013, to which reference should be made for further details, except for those indicated in the section "Accounting policies, amendments and interpretations effective from 1 January 2014".

Preparing the interim report has required the use of estimates and assumptions that affect the values of revenue, expense, assets and liabilities. The actual outcome of occurring events might differ from these estimates.
Some measurement processes, especially those which are more complex, such as the calculation of impairment losses on non-current assets, are generally carried out fully only when drawing up the annual financial statements, or when all information required is available, except when there are impairment indicators which require immediate measurement of any impairment losses. Similarly, the actuarial valuations required for determining the Provision for employee benefits are carried out when drawing up the annual financial statements.

Lastly, the interim report is not subject to an accounting audit.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FROM 1 JANUARY 2014

The new IFRS or amendments applying to the Group from 1 January 2014 are those contained in the "Consolidation Package", which includes the standards and amendments listed below, endorsed by the European Commission on 29 December 2012:
IFRS 10 - Consolidated financial statements
IFRS 11 - Joint arrangements
IFRS 12 - Disclosure of interests in other entities
IAS 27 Revised - Separate financial statements
IAS 28 Revised - Investments in associates and joint ventures

The main provisions introduced by these standards are as follows:

i. IFRS 10 - Consolidated financial statements replaces SIC 12 - Consolidation - Special purpose entities and IAS 27 - Consolidated and separate financial statements. The new standard is based on the existing standards and aims at defining the concept of control as the key factor for including a company in the parent's consolidated financial statements. The control is obtained only if the investor has simultaneously: a) the power to manage the relevant activities of the investee through voting rights and/or agreements; b) the power to manage the exposure to future income of the investee (dividends, fiscal benefits, etc.); c) the power to influence the performance of the investee.

ii. IFRS 11 - Joint arrangements sets out that two or more parties have joint control if the decisions on material activities require the unanimous agreement of the parties.

There are two types of joint arrangement:

- a joint venture (JV) is an arrangement by which the parties have entitlements to the net assets covered in the agreement. Joint ventures are accounted for using the equity method;
- a joint operation (JO) is an arrangement by which the partners are not limited exclusively to an interest in the net profit of the company, but rather exercise asset-related rights and have liability-related commitments. In this case the assets/revenue on which the partner exercises such rights and the liabilities/costs on which the partner has a commitment are consolidated line-by-line.

After the issue of IAS 28 – Investments in Associates, this standard was amended to include equity investments in companies under joint control in its scope of application, as from the effective date of the standard itself.

iii. IFRS 12 – Disclosure of interests in other entities, which is a new standard on additional information that shall be supplied on any type of equity interest, including disclosures on subsidiaries, joint arrangements, associates, special purpose entities and other entities of this type that are not consolidated.

For Iren, the main effects derive from application of IFRS 11. In fact, the standard no longer allows the proportionate consolidation applied by the Iren Group to joint ventures up to 31 December 2013. The consequences of this are the deconsolidation of the companies OLT, SAP, AES and Iren Rinnovabili, which are recognised using the equity method.

The application of IFRS 11 has no impact on net profit or loss, or on equity items stated in the consolidated accounts. Aside from loss of the contribution to EBITDA from the deconsolidated companies for around Euro 20 million compared to the first quarter of 2013, the effects also remove net financial indebtedness amounting to approximately Euro 520 million from the figure recorded at 31 December 2013.

As a result of the above, the Directors also considered it appropriate to prepare specific restated statements, in addition to those prepared in compliance with international accounting standards in force, in order to provide a detailed line-by-line representation of the income statement and balance sheet with regard to district heating business in Turin. This business, in fact, in which the Iren Group is a leader in Italy, is managed through the jointly-controlled company AES Torino S.p.A., which in application of the new IFRS 11 would be recognised merely as a financial investment.

The restated statements, in addition to providing information essentially in line with that provided before the new IFRS 11 became effective (when AES S.p.A. was proportionately consolidated), better reflect the strategic nature of the district heating business, and the role played by the Group in managing and developing district heating in Turin, as also confirmed by the agreement signed with Italgas at the beginning of April 2014, illustrated in the paragraph on significant events after the end of the first quarter of 2014. This agreement envisages the spin-off of AES Torino S.p.A. and transfer of district heating business in Turin to the Iren Group from 1 July 2014.

For the reasons stated above, the notes on Iren Group performance in the first quarter of 2014 refer to the restated financial statements.

CHANGES IN THE SCOPE OF CONSOLIDATION COMPARED TO 31 DECEMBER 2013

The scope of consolidation includes the companies directly or indirectly controlled by the parent, including jointly with other entities.

Reference should be made to the paragraph "Accounting standards, amendments and interpretations effective from 1 January 2014".

RISK MANAGEMENT

The management of business risks is an essential component of the Internal Control System of corporate governance in a listed company, and the Code of Conduct set forth by Borsa Italiana assigns specific responsibilities as regards this aspect. The Enterprise Risk Management model operative within the Group includes the methodological approach to integrated identification, assessment and management of the Group risks.
For each of the following risk types:

- financial risks (interest rate, currency, spread);
- credit risk;
- energy risk, associated with energy and/or financial markets, such as market variables or pricing options;
- operational risks, associated with asset ownership, involvement in business activities, processes, procedures and information flows.

Specific “policies” have been defined with the primary goal of fulfilling strategic guidelines, organisational-managerial principles, macro processes and techniques necessary for the active management of related risks. The Group’s Enterprise Risk Management model also regulates the roles of the various parties involved in the risk management process, which is governed by the Board of Directors, and calls for specific Committees to manage each type of risk.
The Iren Group pays particular attention also to maintaining trust and a positive image of the Group in the eyes of stakeholders. Therefore the Group’s Enterprise Risk Management model also manages reputational risk.

The “Risk Management” department, reporting to the Deputy Chairman, was set up within the Iren Group. This department is formally entrusted with the following activities:

- coordinating the integrated management process of the Group's risks;
- assessment of the Group’s insurance needs, scheduling, signing and managing the insurance policies, with the cooperation of the Legal department.

A periodic monitoring process is also in place with regard to claims in the various sectors and across all the Group’s areas of operation in order to establish and implement the most suitable means of preventing and/or limiting the impact of claims.

A summary of the Group risk management methods is shown hereunder for each type of risk.

1. FINANCIAL RISKS

Iren Group activity is exposed to various types of financial risks, in particular liquidity risk, currency risk and interest rate risk.

a) Liquidity risk
Liquidity risk management seeks to ensure that the company’s available financial resources are sufficient to cover financial and trade commitments in accordance with the agreed terms and deadlines.
The Group Finance Department was centralised in order to optimise the collection and use of financial resources. The organisational structure envisages the centralised management of cash flows in Iren, both through cash pooling and centralisation of all collection and payments within the Iren current accounts. This makes it possible to allocate Group-wide available funds according to the needs arising from time to time within the single companies. Cash movements are recognised in infra-group accounts along with infra-group interest income and expense.
A number of investees have an independent financial management structure in compliance with the guidelines provided by the Parent.

Based on the cash pooling model, the accounts of all the companies are zeroed every day by means of a netting system that transfers the balances of currency transactions on the accounts of the Parent.
The financial position, both current and forecast, and the availability of adequate credit facilities are constantly monitored.
Iren has relations with the leading Italian and international banks, for the purpose of searching for the types of loans most suitable to its needs, and the best market conditions.
With regard to the liquidity risk potentially deriving from contractual clauses allowing counterparties to withdraw financing should certain events occur (default and covenant risk), the clauses in Iren loan agreements are fulfilled. In particular, for certain medium/long-term loan agreements Iren is committed to meeting financial covenants (such as Debt/EBITDA, EBITDA/Financial expense ratios) with annual verification. Moreover, other covenants such as the Change of Control clause have been provided for, which sets forth that the Iren Group should be kept under direct and indirect control by Local Authorities, as well as clauses concerning negative pledges, under which the company undertakes not to give collateral beyond a specific limit, and the Pari Passu clause, which reserves an equal treatment to lending banks with respect to the treatment for other unsecured creditors.
The medium/long-term loan agreements of certain Group companies also envisage the observance of financial covenants (Net Financial Position/EBITDA, Net Financial Position/Equity) which have been satisfied.

b) Currency risk
For the Group, currency risk is associated with the purchase of energy commodities. For specific details, reference should be made to “Energy risk” below.

c) Interest rate risk
The Iren Group is exposed to interest rate fluctuations especially with regard to the measurement of financial expense related to indebtedness. Iren Group's strategy is aimed at limiting its exposure to interest rate increases while maintaining acceptable borrowing costs.
In a non-speculative view, the risks associated with the increase in interest rates are monitored and, if necessary, reduced or eliminated by swap and collar contracts with high credit standing financial counterparties, with the sole purpose of cash flow hedges.

Compliance with the limits imposed by the policy is verified at the Financial Risk Committee meetings with regard to the main metrics, together with analysis of the market situation, interest rate trends, the value of hedges and confirmation that the conditions established in covenants have been met.

2. CREDIT RISK

The credit risk of the Group is mainly related to trade receivables connected to the sale of electrical energy, district heating, gas and the provision of water and waste management services. There is no particular concentration of receivables as they are spread across a large number of counterparties from customer categories external to the Group (retail, business and public entity customers).
In conducting its business activities the Group is exposed to the risk that receivables might not be paid on their due date, resulting in an increase in the seniority of receivables, insolvency risk or an increase in receivables that are unenforceable or subject to bankruptcy proceedings. This risk feels the impact of the unfavourable economic and financial situation.
In order to limit credit risk exposure, whose operating management is entrusted to individual regional functions, tools have been introduced or identified, such as customer solvency analysis in the acquisition phase through accurate analysis of credit ratings, the assignment of receivables of customers that are active and/or have ceased business to external credit recovery companies and the introduction of new recovery methods for the purpose of legal dispute management.
The receivable management policy and creditworthiness assessment tools, as well as monitoring and recovery activities, differ in relation to the various categories of customers and the service provided.

Credit risk is hedged, for certain types of business customers, by appropriate forms of bank or insurance guarantees upon demand issued by first rate credit entities.
An interest-bearing guarantee deposit is paid for some types of services (water, natural gas, “protected customer” electrical energy) in compliance with regulations governing these activities. This deposit is reimbursed if the customer adopts the payment method of direct debit to current accounts.
Generally applied payment terms for customers are compliant with regulations in force or consistent with market standards. In the event of non payment, interest in arrears will be debited to the extent indicated in the supply contracts or in regulations.
Accruals to the allowance for impairment of accounts receivable accurately reflect the effective credit risk through analysis of the individual receivable items recorded in the databases, specifically taking into account ageing, as well as comparison with historical losses and determination of the average non-payment rate.

As a result of the persisting unfavourable economic situation, credit risk management was improved by strengthening the monitoring and reporting procedures at Group and individual subsidiary level in order to identify possible countermeasures as quickly as possible.
In addition, on a quarterly basis the Risk Management Department gathers information to integrate the main data on trade receivables from the Group companies in relation to customers, business sector and ageing range. There is a particular focus on customers with the highest level of past due receivables, both for individual first level companies and for the Group as a whole. A number of these assessments are performed more frequently than every quarter or according to specific needs.
During the Credit Risk Committee meetings, the results are presented and shared with the Credit Managers of first level companies that are operatively responsible for credit management and collection.

3. ENERGY RISK

Energy risk relates to factors associated with the energy and/or financial markets that have a direct impact on changes in the Group’s economic and financial results. A number of these factors are of an external nature, i.e. attributable to fuel prices and to revenue from energy sales, whilst others are internal and derive from the pricing structure adopted.
Among the risk factors with greatest impact on the Group are:

- currency risk, implicit in pricing and purchasing decisions, characterised by strong seasonal differences in exposure, due to the presence of different time lags between the indexes to which purchase and sales contracts are linked;
- commodity price risk relating to oil products and natural gas, associated with purchasing decisions;
- price risk associated with the Italian electrical energy market which, in relation to Iren Group exposure, becomes highly significant for the volatility of this market and the impact it can have on corporate results.

Within the Group, assessment of the impact of each risk fact on corporate results is performed through probabilistic analyses benchmarked according to volatility. Aggregation of the results produces the overall assessment of the risk in question. The energy risk policy sets quantitative limits on the value at risk of the portfolio. If these limits are surpassed, the risk is managed through specific hedging transactions.
Energy Risk Committee meetings also verify the performance of the main risk metrics, analyse the market situation, sales volumes, exposure to risks associated with exchange rates and energy raw materials prices and the performance of the hedging arrangements.

4. OPERATIONAL RISKS

This category includes all risks which, in addition to those already mentioned in previous paragraphs, can have an impact on the achievement of objectives relating to the effectiveness and efficiency of business transactions, performance levels, profitability and the protection of resources against losses.
The Enterprise Risk Management model applied at Group level is focused on the integrated and synergic management of risks.
The Group's risk management process envisages that, for each business sector and operating segment the activities to identify the main risk factors associated with achieving objectives are analysed. After the identification tasks, the risks are assessed in quality and quantity terms (magnitude and event probability), so as to identify the key risks. The analysis also involves assessment of the current and prospective levels of risk control, monitored through specific key risk indicators.
The above steps allowing structuring of each risk-specific management plan.
Through every step in the management process, each risk is constantly controlled and monitored, during which the correct and effective implementation of the approved and planned management activities and the insurgence of any new operating risks are verified. The operational risk management process is associated with an organisation-wide structured reporting system for representing the results of risk measurement and management activities.
Each process stage is performed in accordance with standards and references defined at Group level.
The Group's risk position is updated at least quarterly, indicating the extent and level of control of all risks monitored, including financial, credit and energy risks.
Risk reports are submitted to top management and to the risk owners involved in the management activities.
Risk analysis is also used as support in the preparation of planning tools.
The operational risk management process also aims to optimise the Group's insurance planning.

a. Legal and regulatory risks

The legislation and regulatory framework is subject to possible future changes, and therefore is a potential risk. For this purpose, the Iren Group set up internal structures in charge of the continuous monitoring of reference legislation, in order to assess the implications and ensure correct application.

b. Strategic risks

The current macroeconomic scenario also has a significant impact on the local utilities sector.
The Group's operations drivers are geared to consolidating core business in the reference regions, maximising operating efficiency, rationalising assets and where possible seizing upon external growth opportunities.
The strategic development plan of the Group, in line with the above drivers, involves the implementation of consolidation initiatives in the Group's operating segments, with completion of projects in the generation and district heating segment, enhancement of energy infrastructures, consolidation and operational efficiency improvements in the integrated water service, completion of projects associated with the waste-to-energy plant and assessment of external growth opportunities, particularly in the waste management sector.
All of the above gives rise to risk exposure largely of a regulatory, technical, commercial, economic and financial nature, which the Group manages through dedicated processes and departments with responsibility for supervising all the implementation stages of the strategic objectives. In particular, Risk Management performs specific quality and quantity assessments, highlighting the key risk factors and management plans required.

c. Plant-related risks

As regards the consistency of Group production plants, plant-related risks are managed with the above-mentioned approach in order to correctly allocate resources in terms of control and preventive measures (preventive/predictive maintenance, control and supervisory systems, emergency and continuity plans, etc.).

For the most important plants the Risk Management department periodically conducts surveys, from which it can accurately detail the events to which such plants could be exposed and subsequent preventive action.
Risk is also monitored through insurance coverage planned on the basis of the individual plants.

d. IT risks

The main IT risks are related to the availability of core systems, amongst which for example is Iren Mercato's interface with the Power Exchange.
The Company is, in fact, one of the leading Italian operators on the Power Exchange and any accidental unavailability of the system could have considerable economic consequences, connected with the non-submission of energy sale or purchase offers.
To mitigate such risks, specific measures have been adopted, such as the redundancy of parts of the system and appropriate emergency procedures ("Disaster recovery"), which are periodically subject to simulations, to ensure their effectiveness.

FINANCIAL POSITION, RESULT OF OPERATIONS AND CASH FLOWS OF THE IREN GROUP

Presented below are the income statement, statement of financial position and cash flow statement for the Iren Group on which the comments regarding business performance are based. For the reasons stated above, the notes on Iren Group performance in the first quarter of 2014 refer to the restated financial statements.

Income Statement

IREN GROUP RESTATED CONSOLIDATED INCOME STATEMENT - FIRST THREE MONTHS OF 2014

thousands of euro

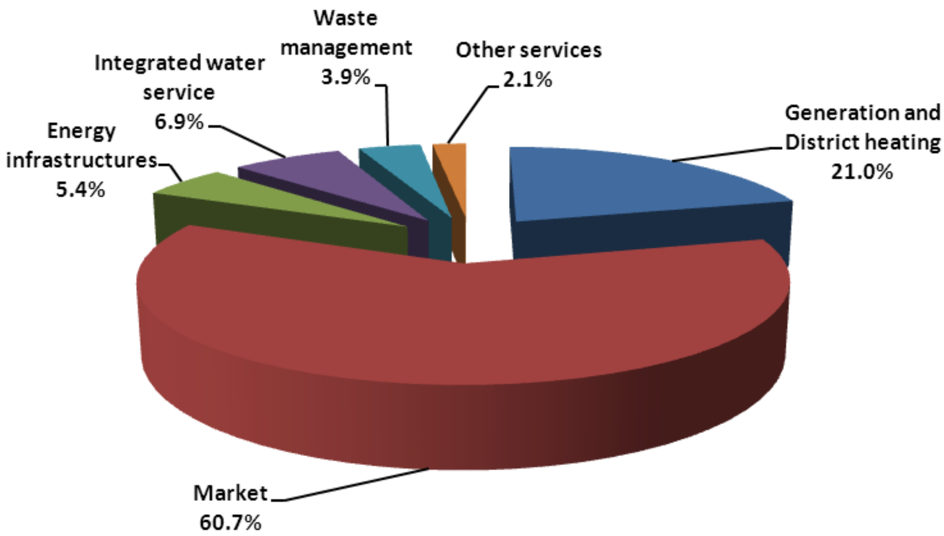
	First 3 months 2014 restated	First 3 months 2013 restated	% change
Revenue			
Revenue from goods and services	837,486	1,044,781	(19.8)
Change in work in progress	471	(415)	(*)
Other revenue and income	65,176	61,271	6.4
Total revenue	**903,133**	**1,105,637**	**(18.3)**
Operating expense			
Raw materials, consumables, supplies and goods	(433,627)	(544,696)	(20.4)
Services and use of third-party assets	(181,429)	(241,246)	(24.8)
Other operating expense	(17,828)	(14,126)	26.2
Capitalised expenses for internal work	4,482	5,208	(13.9)
Personnel expense	(71,460)	(65,057)	9.8
Total operating expense	**(699,862)**	**(859,917)**	**(18.6)**
Gross Operating Profit (EBITDA)	**203,271**	**245,720**	**(17.3)**
Amortisation, depreciation, provisions and impairment losses			
Amortisation/depreciation	(57,176)	(50,254)	13.8
Provisions and impairment losses	(17,361)	(19,533)	(11.1)
Total amortisation, depreciation, provisions and impairment losses	**(74,537)**	**(69,787)**	**6.8**
Operating profit (EBIT)	**128,734**	**175,933**	**(26.8)**
Financial income and expense			
Financial income	6,749	7,752	(12.9)
Financial expense	(32,463)	(32,972)	(1.5)
Total financial income and expense	**(25,714)**	**(25,220)**	**2.0**
Share of profit of associates recognised using the equity method	(2,804)	(320)	(*)
Impairment losses on investments	-	-	-
Profit before tax	**100,216**	**150,393**	**(33.4)**
Income tax expense	(45,406)	(64,964)	(30.1)
Net profit/(loss) from continuing operations	**54,810**	**85,429**	**(35.8)**
Net profit/(loss) from discontinued operations	-	-	-
Net profit (loss) for the period	**54,810**	**85,429**	**(35.8)**
attributable to:			
- Profit (loss) - Group	51,321	82,714	(38.0)
- Profit (loss) - non-controlling interests	3,489	2,715	28.5

(*) Change of more than 100%

Revenue

In the first quarter of 2014, the Iren Group achieved revenue of Euro 903 million, down by 18.3% compared to the Euro 1,106 million in the first quarter of 2013. The drop in revenue is first and foremost attributable to a particularly mild heating season, which had a strong impact on sales volumes in the gas sector (-307 Mln m^3 equal to -25%) and heat sector (-263 GWh of heat distributed, -17%). The persisting overcapacity situation for thermoelectric production, linked to a drop in electrical energy demand (-3.7% at national level compared to the first quarter of 2013) and to stronger production from renewable sources, has led to a price decrease (national single price down by around 18%) and lower margins. This trend combined with lower electrical energy volumes sold has also led to a decrease in revenue in the electrical energy sales sector.

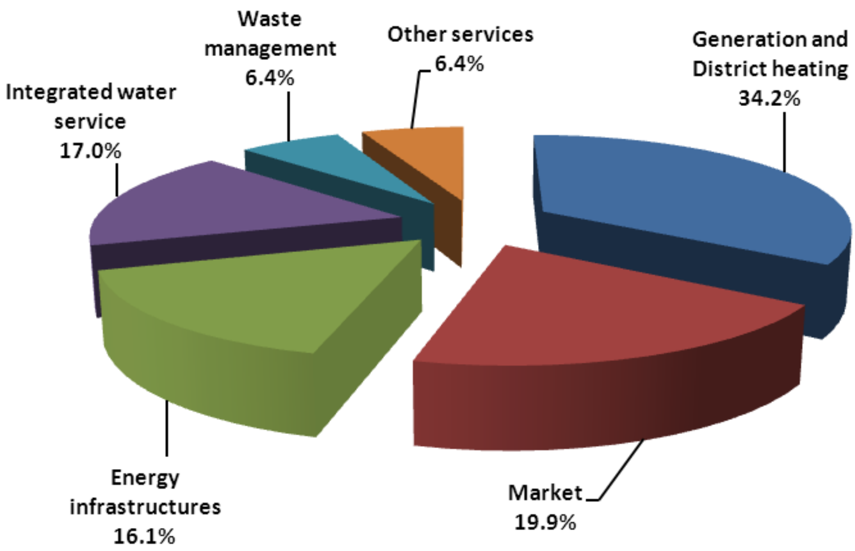
BREAKDOWN OF REVENUE



Gross Operating Profit (EBITDA)

Gross operating profit (EBITDA) amounted to Euro 203 million, down -17.3% compared to Euro 246 million recorded in the first quarter of 2013. The lower margin is attributable to energy business and regulatory factors: the AEEGSI review of the gas sales tariff (Resolution 196/13 and subsequent recalculation of the district heating tariff), termination of incentives on cogeneration heat production (district heating green certificates) and to an exceptionally mild weather trend. Temperature changes, in particular, have led to a drop in gas sales of around -26% and in heat energy of -17%. In addition to the factors described above, the first quarter was characterised by an extraordinary decrease in prices and margins on electrical energy production. These negative factors were partly offset by higher hydroelectric production (+85 GWh, or 54%, compared to the national average of +33.7%) and the stronger contribution of the dispatch services market (MSD). The energy infrastructures segment also reported a decline (electrical energy and gas networks) due to the fact that there are no longer the contingent assets that characterised the first quarter of 2013. Growth was recorded by the waste management and integrated water system segments. The period also saw a capital gain, second tranche, relating to the disposal of units of the real estate fund set up in 2012.

BREAKDOWN OF EBITDA



Operating profit (EBIT)

Operating profit (EBIT) totalled Euro 129 million, a -26.8% decrease on the figure for the first quarter of 2013 of Euro 176 million. The result essentially reflects the change in gross operating profit (EBITDA), despite the higher amortisation and depreciation of Euro -6.9 million and other allocations to provisions for Euro -2.1 million, partly offset by the positive effect of write-downs for Euro 4.2 million associated with write-down of the ETS emission rights recorded in 2013 and not repeatable in 2014.

Financial income and expense

Net financial expense totalled a negative Euro 26 million. In particular, financial expense amounted to Euro 32 million, remaining essentially unchanged compared to the same period of 2013. Financial income amounted to around Euro 7 million (-12.9%).

Share of profit of associates recognised using the equity method

The results of associates accounted for using the equity method was negative by around Euro 3 million, down compared to the same period in 2013, mainly due to the losses recorded by OLT which were partly offset by Amiat profit.

Impairment losses on investments

None in the first quarter of 2014.

Profit before tax

As a result of the above trends the consolidated profit before tax reached Euro 100 million, down 33.4% on the Euro 150 million recorded in the first three months of 2013.

Income tax expense

Income taxes for the first three months of 2014 amounted to Euro 45 million, up by 30.1% compared to same period of 2013. The nominal tax rate is 45.0% and at present is a prudential estimate of the income tax payable for 2014.

Net profit (loss) for the period

Profit for the period amounted to Euro 55 million, down 35.8% on the same period of 2013.

Segment reporting

The Iren Group operates in the following business segments:

- Generation and District heating (generation of hydroelectric energy, cogeneration of electrical energy and heat and district heating networks)
- Market (sale of electrical energy, gas, heat)
- Energy Infrastructures (electrical energy distribution networks, gas distribution networks, LNG regasification plants)
- Integrated Water Service (sale and distribution of water, water treatment and sewerage)
- Waste Management (waste collection and disposal)
- Other services (telecommunications, public lighting, global services and other minor services).

These operating segments are disclosed pursuant to IFRS 8. Under this standard, the disclosure about operating segments should be based on the elements which management uses in making operational and strategic decisions.
For a proper interpretation of the income statements relating to individual businesses presented and commented on below, revenue and expense referring to joint activities were fully allocated to the businesses based on actual usage of the services provided or according to technical and economic drivers.
Given the fact that the Group mainly operates in the North-West area, the following segment information does not include a breakdown by geographical area.
Below are the main income statement items with relative comments broken down by operating segment and comparison with figures for the first three months of 2013, restated to take into account the deconsolidation of OLT, SAP and Iren Rinnovabili business and the new post-spin off organisation which will include the management of AES Torino business (line-by-line consolidation of the district heating distribution and deconsolidation of the gas distribution business).

Generation and District heating

Revenue for the period amounted to Euro 302 million, down -10.8% compared to Euro 338 million recorded in the first quarter of 2013.

		First 3 months 2014 restated	First 3 months 2013 restated	Δ %
Revenue	€/mln.	302	338	-10.8%
Gross Operating Profit (EBITDA)	€/mln.	69	100	-30.2%
EBITDA Margin		*23.0%*	*29.4%*	
Operating profit (EBIT)	€/mln.	42	73	-42.3%
Investments	€/mln.	5	5	8.0%
Electrical energy produced	GWh	2,258	2,278	-0.9%
from hydroelectric sources	*GWh*	245	156	56.7%
from cogeneration sources	*GWh*	1,721	2,122	-18.9%
from thermoelectric sources	*GWh*	292	0	(*)
Heat produced	GWh_t	1,256	1,526	-17.7%
from cogeneration sources	GWh_t	1,119	1,291	-13.3%
from non-cogeneration sources	GWh_t	137	235	-41.7%
District heating volumes	Mln m^3	79	77	3.1%

Electrical energy production at 31 March 2014 totalled 2,258 GWh, down -0.9% on the 2,278 GWh of 2013, due to the effect of lower cogeneration production almost completely offset by the thermoelectric production of the Turbigo plant and higher hydroelectric production +56.7%.
In particular, thermoelectric production was 2,013 GWh, of which 1,721 GWh from cogeneration sources, down -18.9% compared to 2,122 GWh of 2013, and 292 GWh from thermoelectric sources in the strictest sense, as a result of inclusion of the Turbigo plant in the group consolidation from the last two-month period of 2013.

Hydroelectric production was 245 GWh, up +56.7% compared to the 156 GWh of 2013 due to higher production at Pont Ventoux, and in particular to production of the former Edipower plant in Tusciano, which was included in the group consolidation only from the last two-month period of 2013.

Heat production for the period totalled 1,256 GWht, down by -17.7% compared to the 1,526 GWht of 2013, due to the effect of a particularly mild heating season characterised (-16% degree days in the Turin area, -22% in the Genoa area and -25% in the Emilia Romagna area).
Volumes of district heating totalled around 79 million m^3, 56 million of which in Turin, making this the most ‘district heated’ city in Italy, over 3 million m^3 in Genoa and more than 19 million m^3 in Reggio Emilia, Parma and Piacenza. The cogenerated heat share was 89%, up compared to the 85% of 2013, due to the use of storage systems that optimised cogeneration production.

Gross operating profit (EBITDA) amounted to Euro 69 million, down by 30.2% compared to Euro 100 million in 2013.
The decline in EBITDA was negatively affected by several factors, starting with the particularly mild heating season which heavily penalised heat production and related energy certificates. Added to this, the persisting economic crisis not only reduced electricity consumption and consequently its production, but eroded the unit margins of electrical energy production. Partly offsetting these effects was the positive impact of the Tusciano plant, which began operating within the group consolidation in the last two months of 2013.

The operating profit (EBIT) for the Generation and District Heating segment was Euro 42 million, down -42.3% compared to the Euro 73 million recorded in 2013. In addition to the decrease in EBITDA, EBIT was affected by the higher amortisation and depreciation associated with the hydroelectric plant in Tusciano and the Turbigo plant, partly offset by reduced allocation to provisions.

The technical investments made during the first quarter amounted to Euro 5 million and refer mainly to the cogeneration sector and the district heating networks.

Market

Market area turnover amounted to Euro 873 million, down -21.0% compared to Euro 1,105 million in the first quarter of 2013. The gross operating profit (EBITDA) stood at Euro 40 million, down -39.1% compared with Euro 67 million in the corresponding period of 2013.

		First 3 months 2014 restated	First 3 months 2013 restated	Δ %
Revenue	€/mln.	873	1,105	-21.0%
Gross Operating Profit (EBITDA)	€/mln.	40	67	-39.1%
EBITDA Margin		*4.6%*	*6.0%*	
from electrical energy	€/mln.	*8*	*6*	*47.4%*
from gas	€/mln.	*30*	*56*	*-46.2%*
from heat	€/mln.	*2*	*5*	*-58.9%*
Operating profit (EBIT)	€/mln.	29	56	-48.2%
Investments		2	2	35.4%
Electrical energy sold	GWh	3,387	3,648	-7.1%
Electrical energy sold net of Power Exchange purchases/sales	GWh	3,030	3,352	-9.6%
Gas purchased	Mln m^3	901	1,208	-25.4%
Gas sold by the Group	Mln m^3	*444*	*673*	*-34.0%*
Gas for internal use	Mln m^3	*457*	*535*	*-14.6%*

Sale of electrical energy
The total electrical energy volumes sold during the first quarter of 2014 was 3,387 GWh, down -7.1% on the 3,648 GWh of the first quarter of 2013.

Free market and power exchange:
Volumes sold to end customers and wholesalers totalled 1,514 GWh, down -4.4% on the 1,583 GWh of the first quarter of 2013, whilst volumes used on the power exchange net of energy traded on the exchange amounted to 1,670 GWh, down -9.5% on the 1,833 GWh recorded in the same period of 2013.

In the first quarter of 2014 availability within the Iren Group was affected by the break-up of Edipower at the end of October and to the transfer of ownership of the Tusciano (hydroelectric) and Turbigo (thermoelectric) plants to Iren Energia. Volumes produced internally by the Group therefore totalled 2,308 GWh compared to 2,274 GWh in 2013, added to which were the volumes from Edipower tolling of 303 GWh in the first three months of 2013. Added to internal availability are the power exchange volumes (gross of energy bought/sold) for 477 GWh compared to 422 GWh in 2013, and from wholesalers for 513 GWh against the 542 GWh recorded in 2013. The remaining part of sold volumes mainly refers to infra-group transactions and distribution losses.

Former non-eligible market:
Total customers managed by Iren Mercato in the higher protection segment were around 323,000 in 2014. The total volumes sold amounted to 204 GWh, a decrease compared to the same period last year (242 GWh) due to deregulation of the market to which the company responded with marketing development initiatives that led to the transfer of a significant percentage of non-eligible market customers to the free market.

Sale of natural gas
Total volumes of natural gas procured by Iren Mercato in the first quarter of 2014 were around 901 million m^3 (1,208 million m^3 in the corresponding period of 2013), of which approximately 444 million m^3 were sold to customers outside the Group (673 million m^3 in the first quarter of 2013) and 457 million m^3 were used within the Iren Group both for electrical energy and heat energy production and for the provision of heating services (488 million m^3 in the first quarter of 2013). The difference from 2013 is represented by the amount used for electrical energy production under the Edipower tolling agreement that terminated in October 2013.

Retail market development
The increase in pressure from competition in Iren Mercato's areas of operation became even more intensive in 2014.
In fact, against acquisitions in line with forecasts for around 23,900 customers, the electricity retail market lost around 32,000 customers but still higher than the pre-deregulation situation which saw a customer base of 670,000 compared to the current 708,000. With regard to the gas market, compared to 31 December 2013 a loss of approximately 24,000 customers was recorded, against acquisitions in line with forecasts for around 13,000.
Along with the electricity market situation, this shows that planned investments and the final figures for customers acquired were not sufficient to sustain the increase in competition.
To counteract the continued intense competition in 2014, initiatives to retain and increase the retail customer base are continuing, with a view to consolidating relations with external customer acquisition companies (typically door-to-door agencies and telesellers).
At the same time, new business was recorded through innovative channels (primarily via web, with launch of the chat line with sales operators) to increase all contacts from non-traditional channels.

Sale of heat energy through the district heating network
Iren Mercato handles heat sales to district heating customers in the municipalities of Genoa, through the CAE, Turin, Nichelino and in the provinces of Reggio Emilia, Piacenza and Parma.
This entails the supply of heat to customers already on the district heating network, customer relations management and the control and management of substations powering the heating systems of buildings served by the network. The heat provided to customers is supplied by Iren Energia S.p.A. under trading conditions that guarantee adequate remuneration.
In 2014, the district heating volumes in the Piedmont area amount to over 56 million m^3, whilst in the Emilia Romagna area the district heating volumes amounted to around 19 million m^3 and roughly 3 million m^3 in the Genoa area.

Energy infrastructures

At 31 March 2014 the Energy Infrastructures segment, which includes gas, electricity and heat distribution business, recorded revenue of Euro 77 million, essentially in line with the Euro 79 million of the corresponding period in 2013.
Gross operating profit (EBITDA) amounted to Euro 33 million, down -14.2% compared to Euro 38 million in the first quarter of 2013.
Operating profit (EBIT) totalled Euro 22 million, down -20.1% on the Euro 28 million of the first three months of 2013.
The main changes in the segments concerned are illustrated below.

		First 3 months 2014 restated	**First 3 months 2013 restated**	**Δ %**
Revenue	€/mln.	77	79	-2.0%
Gross Operating Profit (EBITDA)	€/mln.	33	38	-14.1%
EBITDA Margin		*42.5%*	*48.6%*	
from electrical energy networks	*€/mln.*	*16*	*20*	*-18.8%*
from gas networks	*€/mln.*	*16*	*18*	*-9.4%*
Operating profit (EBIT)	€/mln.	22	28	-20.1%
Investments	€/mln.	13	8	59.0%
in electrical energy networks	*€/mln.*	*6*	*4*	*58.2%*
in gas networks	*€/mln.*	*8*	*5*	*59.7%*
Electrical energy distributed	GWh	996	1,067	-6.6%
Gas distributed	Mln m^3	548	672	-18.4%

Electrical Energy Distribution Networks

Gross operating profit (EBITDA) amounted to Euro 16 million, down -18.8% compared to Euro 20 million in 2013. The decrease is mainly due to the negative balance of contingencies (closing of past years' estimates payable to CCSE and closing of past tariff components relating to 2007-2012 in the Parma area) and to the lower contribution margin, mainly associated with lower connection contributions.

Investments were made in the first quarter for around Euro 6 million (of which Euro 5 million relating to the Turin electrical energy networks and Euro 1 million to the Parma electrical energy networks), mainly referring to new connections, the construction of new LV/MV substations and LV/MV lines.

Gas Distribution Networks

The gross operating profit (EBITDA) for the gas distribution networks was Euro 16 million, down -9.4% compared to the Euro 18 million recorded in the corresponding period of 2013. The decrease was attributable to easing of the restriction on carriage revenue and lower revenue from safety incentives issued in the first quarter of 2013 by the AEEGSI and not yet definable with certainty.

Investments during the period amounted to Euro 8 million and concern the provisions of AEEG Resolutions, particularly the 10-year network redevelopment plan through the replacement of grey cast iron pipes, development initiatives for the distribution network and connections in the main areas served by the Group.

Integrated Water Service

At 31 March 2014, the integrated water service recorded revenue of Euro 99 million, up by +4.1% compared to Euro 95 million in 2013.
The increase in revenue compared to the previous year is attributable to tariff increases of Euro 2.5 million and to Euro +1.5 million in capitalised costs which, due to the application of IFRIC 12, are recorded under revenue.

		First 3 months 2014 restated	First 3 months 2013 restated	Δ %
Revenue	€/mln.	99	95	4.1%
Gross Operating Profit (EBITDA)	€/mln.	35	31	12.0%
EBITDA Margin		34.8%	32.4%	
Operating profit (EBIT)	€/mln.	17	13	27.1%
Investments	€/mln.	11	9	16.2%
Water sold	Mln m^3	37	38	-3.0%

Gross operating profit (EBITDA) amounted to Euro 35 million, up +12% on the Euro 31 million of the first quarter of 2013. The increase is due to tariff increases and lower operating costs.

The operating profit (EBIT) was Euro 17 million, up +27.1% compared to the Euro 13 million recorded in the first quarter of 2013. Operating profit fully reflects the changes in gross operating profit (EBITDA).

The investments made in the period totalled Euro 11 million and concern the construction, development and maintenance of distribution networks and systems, the sewerage network and water treatment plants.

Waste Management

At 31 March 2014 revenue in this segment totalled Euro 56 million, up on the Euro 53 million of the corresponding period of 2013.
The increase is due to higher energy revenue from start-up of the IEH, higher revenue from Tari and Conai contributions for materials sales, offset by lower revenue from public parks maintenance and snow clearing.

		First 3 months 2014 restated	First 3 months 2013 restated	Δ %
Revenue	€/mln.	56	53	6.6%
Gross Operating Profit (EBITDA)	€/mln.	13	10	27.5%
EBITDA Margin		23.2%	19.3%	
Operating profit (EBIT)	€/mln.	6	6	6.6%
Investments	€/mln.	8	10	-22.4%
Waste handled	Tons	255,017	226,817	12.4%
Urban waste	*Tons*	*172,669*	*160,363*	*7.7%*
Special waste	*Tons*	*82,348*	*66,454*	*23.9%*

Gross operating profit (EBITDA) for the period amounted to Euro 13 million, up +27.5% on the Euro 10 million of the first quarter of 2013.
The margin benefited from the operational start-up of the IEH, lower operating costs and the higher Tari and materials sales recycling revenue recovered from companies in the chain.

The operating profit (EBIT) was Euro 6 million, up +6.6% compared to the first quarter of 2013. The positive trend recorded in EBITDA was almost totally absorbed by the fact that there is no longer a positive effect from the release in 2013 of post-landfill closure funds, the increase in amortisation and depreciation associated with the decrease in residual capacity of the Poiatica landfill and the higher allocation to the allowance for the impairment of accounts receivable.

Investments made during the period amounted to Euro 8 million and mainly refer to works to complete the Parma Integrated Environmental Hub and equipment for the collection service, the treatment plant for grit deriving from street cleaning and other plants.

Services and other

		First 3 months 2014 restated	First 3 months 2013 restated	Δ %
Revenue	€/mln.	32	25	28.5%
Gross Operating Profit (EBITDA)	€/mln.	13	0	(*)
EBITDA Margin		*41.0%*	*1.4%*	
Operating profit (EBIT)	€/mln.	12	-1	(*)
Investments	€/mln.	3	2	62.7%

(*) Change of more than 100%

At 31 March 2014 revenue totalled Euro 32 million, up on the Euro 25 million of the corresponding period of 2013.
The increase is attributable to the capital gain generated during the quarter from the disposal of properties to the real estate fund. This capital gain also has a positive effect on EBITDA, which amounted to Euro 13 million compared to Euro 0.3 million in 2013.

Statement of Financial Position

RESTATED STATEMENT OF FINANCIAL POSITION FOR THE IREN GROUP AT 31 MARCH 2014

thousands of euro

	31.03.2014 restated	31.12.2013 restated	% change
Non-current assets	4,513,257	4,526,592	(0.3)
Other non-current assets (liabilities)	(141,157)	(135,501)	4.2
Net working capital	213,343	151,369	40.9
Deferred tax assets (liabilities)	122,368	121,165	1.0
Provisions for risks and employee benefits	(486,182)	(473,695)	2.6
Assets (Liabilities) held for sale	491	995	(50.7)
Net invested capital	**4,222,120**	**4,190,925**	**0.7**
Equity	2,047,555	1,998,762	2.4
Non-current financial assets	*(84,814)*	*(79,424)*	*6.8*
Non-current financial indebtedness	*1,995,400*	*1,853,608*	*7.6*
Non-current net financial indebtedness	1,910,586	1,774,184	7.7
Current financial assets	*(604,918)*	*(454,902)*	*33.0*
Current net financial indebtedness	*868,897*	*872,881*	*(0.5)*
Current net financial indebtedness	263,979	417,979	(36.8)
Net financial indebtedness	2,174,565	2,192,163	(0.8)
Own funds and net financial indebtedness	**4,222,120**	**4,190,925**	**0.7**

The main changes in the statement of financial position at 31 March 2014 are commented below.
There has been no change in non-current assets compared to 31 December 2013. For further details on investments in the period, reference should be made to the section “Segment Reporting”.
The increase in net working capital from Euro 151 million to Euro 213 million at 31 March 2014 was affected by the changes in trade receivables and in tax items. There has been no change in deferred taxes compared to 31 December 2013. The increase in Equity derives mainly from profit for the period.
The cash flow statement shown below provides an analytical breakdown of the reasons for changes in the first three months of 2014.

Cash Flow Statement

RESTATED CASH FLOW STATEMENT FOR THE IREN GROUP - FIRST THREE MONTHS OF 2014

thousands of euro

	First quarter 2014 restated	First quarter 2013 restated	% change
A. Opening cash and cash equivalents	**50,221**	**26,681**	**88.2**
Cash flows from operating activities			
Profit (loss) for the period	54,810	85,429	(35.8)
Adjustments:			
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	57,176	50,254	13.8
Capital gains (losses) and other changes in equity	(11,031)	(344)	(*)
Net change in post-employment benefits and other employee benefits	363	427	(15.0)
Net change in provision for risks and other charges	7,203	(3,885)	(*)
Change in deferred tax assets and liabilities	(531)	(1,526)	(65.2)
Change in other non-current assets and liabilities	5,656	841	(*)
Dividends accounted for net of adjustments	(602)	-	(*)
Share of profit (loss) of associates	2,804	320	(*)
Net impairment losses (reversals of impairment losses) on assets	-	4,167	(100.0)
B. Cash flows from operating activities before changes in NWC	**115,848**	**135,683**	**(14.6)**
Change in inventories	44,731	45,630	(2.0)
Change in trade receivables	(85,879)	(191,788)	(55.2)
Change in tax assets and other current assets	(41,989)	(952)	(*)
Change in trade payables	(54,097)	1,560	(*)
Change in tax liabilities and other current liabilities	75,260	72,712	3.5
C. Cash flows from changes in NWC	**(61,974)**	**(72,838)**	**(14.9)**
D. Cash flows from/(used in) operating activities (B+C)	**53,874**	**62,845**	**(14.3)**
Cash flows from/(used in) investing activities			
Investments in intangible assets, property, plant and equipment and investment property	(43,286)	(36,084)	20.0
Investments in financial assets	(25)	-	(*)
Proceeds from the sale of investments and changes in assets held for sale	8,913	3,635	(*)
Dividends received	602	-	(*)
E. Total cash flows used in investing activities	**(33,796)**	**(32,449)**	**4.2**
F. Free cash flow (D+E)	**20,078**	**30,396**	**(33.9)**
Cash flows from/(used in) financing activities			
New non-current loans	150,000	100,000	50.0
Repayment of non-current loans	(17,058)	(14,102)	21.0
Change in financial liabilities	2,386	(83,759)	(*)
Change in financial assets	(49,046)	(20,763)	(*)
G. Total cash flows from/(used in) financing activities	**86,282**	**(18,624)**	**(*)**
H. Cash flows for the period (F+G)	**106,360**	**11,772**	**(*)**
I. Closing cash and cash equivalents (A+H)	**156,581**	**38,453**	**(*)**

(*) Change of more than 100%

The following table shows the change in the Group's consolidated net financial indebtedness for the relevant periods.

thousands of euro

	First 3 months 2014 restated	First 3 months 2013 restated	% change
Free cash flow	20,078	30,396	(33.9)
Change in fair value of hedging derivatives	(2,480)	12,615	(*)
Change in net financial position	**17,598**	**43,011**	**(59.1)**

(*) Change of more than 100%

Net financial indebtedness at 31 March 2014 amounted to Euro 2,175 million, down 0.8% compared to 31 December 2013.
In particular, the free cash flow, a positive Euro 20 million, derives from the combined effect of the following cash flows:

- cash flows from operating activities were positive by Euro 54 million and consist of Euro 116 million cash flows from operating activities before changes in net working capital and negative by Euro 62 million cash flows deriving from changes in net working capital;
- cash flows used in investing activities, amounting to a negative Euro 34 million, were generated from investments in intangible assets, property, plant and equipment and investment property for Euro 43 million (including investments for the construction of infrastructures under concession pursuant to IFRIC 12), proceeds from the disposal of operating assets for Euro 9 million and from the collection of Euro 0.6 million in dividends.

EVENTS AFTER THE REPORTING PERIOD AND BUSINESS OUTLOOK

EVENTS AFTER THE REPORTING PERIOD

Spin-off of AES Torino

On 9 April 2014 Iren Energia and Italgas, a 100% subsidiary of Snam, signed a binding agreement - approved by the Iren Energia shareholders' meeting of 17 April 2014 - for the separation of natural gas and district heating distribution activities currently provided by AES Torino (51% owned by Iren Energia and 49% by Italgas).

Under the terms of the agreement, which envisages a partial non-proportionate spin-off of AES Torino, the Iren Group will be the beneficiary of the business unit relating to district heating distribution activities and will no longer be a shareholder of AES Torino, whilst Italgas will hold the entire share capital of AES Torino (as resulting from completion of the spin-off). The transaction is subject to obtaining the necessary authorisations (including the antitrust) and will become final on the effective date of the spin-off planned for 1 July 2014.

On finalisation of the agreement, Iren Energia will again become direct owner of the district heating network in the municipalities of Turin, Moncalieri and Nichelino, which with 56 million m^3 of district heating (equal to around 60% of total residents) is the largest in Italy and will consolidate its leadership in the Italian district heating industry with over 78 million m^3 served. The AES Torino spin-off will qualify as an exception envisaged for transactions with related parties according to the Consob Regulation and the Procedure adopted by the Iren Group on such matters.

Exercise of the buy option on TRM V S.p.A.

On 29 April 2014 the Board of Directors of Iren S.p.A. decided to exercise the option to buy a 24% interest from F2i Ambiente S.p.A. in TRM V S.p.A., in which it already holds 25% and which controls TRM S.p.A., the company awarded the planning, construction and management of the waste-to-energy plant using urban and similar waste and serving the southern area of the province of Turin.

The transaction is expected to be finalised on 9 May 2014 at a price of around Euro 35.6 million.

BUSINESS OUTLOOK

The macroeconomic scenario in the Euro Area in the first quarter of 2014 is confirming the forecasts of a modest recovery for the economy. However, the austerity measures still applied in many EU Member States, the stagnant conditions of the labour market and the subsequent decline in the disposable income trend will result in household consumption remaining weak.

The scenarios in Italy are variable (the OECD forecasts a 0.5% growth for the country), dependent upon the banks' lending capacity not to interrupt the normal investment cycle and on whether or not the pending reforms are implemented as a result of the current political-institutional phase, with particular reference to public administrations' plan for repayment to businesses.

Furthermore, forecasts indicate that private investments will gradually accelerate following the recovery in economic activities and the need to rebuild production capacity after a prolonged period of cuts.

In this macroeconomic scenario the Group's short-term strategy focuses on maintaining profitability, also by pursuing significant operating synergies, on consolidating the Group's presence in regulated sectors, in addition to strict monitoring of its own financial stability and optimisation of its investments portfolio, with particular attention on selectively identified development opportunities.

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Registro Imprese di Reggio Emilia n. 07129470014
Codice Fiscale e partita IVA n. 07129470014

CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2014

Consolidated Statement of Financial Position

thousands of euro

	31.03.2014	31.12.2013	1.1.2013
ASSETS			
Property, plant and equipment	2,552,340	2,567,339	2,257,518
Investment property	14,582	14,457	926
Intangible assets with a finite useful life	1,183,669	1,178,214	1,142,962
Goodwill	124,407	124,407	125,407
Investments accounted for using the equity method	434,985	427,072	725,062
Other investments	15,490	15,491	29,808
Non-current financial assets	84,814	79,424	142,043
Other non-current assets	47,295	52,982	32,510
Deferred tax assets	304,959	305,915	211,136
Total non-current assets	**4,762,541**	**4,765,301**	**4,667,372**
Inventories	61,854	106,620	87,905
Trade receivables	1,079,942	998,260	1,219,498
Current tax assets	4,883	5,042	8,283
Other receivables and other current assets	233,755	197,213	246,721
Current financial assets	448,681	418,380	404,703
Cash and cash equivalents	156,475	50,221	26,681
Total current assets	**1,985,590**	**1,775,736**	**1,993,791**
Assets held for sale	491	1,001	4,787
TOTAL ASSETS	**6,748,622**	**6,542,038**	**6,665,950**

thousands of euro

	31.03.2014	31.12.2013	1.1.2013
EQUITY			
Equity attributable to owners of the Parent			
Share capital	1,276,226	1,276,226	1,276,226
Reserves and retained earnings	492,413	415,721	463,629
Net profit (loss) for the period	49,131	80,554	-
Total equity attributable to owners of the Parent	**1,817,770**	**1,772,501**	**1,739,855**
Non-controlling interests	220,048	216,526	214,402
TOTAL EQUITY	**2,037,818**	**1,989,027**	**1,954,257**
LIABILITIES			
Non-current financial liabilities	1,982,900	1,841,108	2,137,465
Employee benefits	113,571	113,198	98,964
Provisions for risks and charges	247,878	283,684	271,498
Deferred tax liabilities	171,862	174,032	102,720
Other payables and other non-current liabilities	188,523	188,483	152,693
Total non-current liabilities	**2,704,734**	**2,600,505**	**2,763,340**
Current financial liabilities	706,118	714,358	533,518
Trade payables	891,175	947,086	1,106,130
Other payables and other current liabilities	235,505	205,395	223,862
Current tax liabilities	50,513	10,952	3,274
Provisions for risks and charges - current portion	122,759	74,709	81,548
Total current liabilities	**2,006,070**	**1,952,500**	**1,948,332**
Liabilities related to assets held for sale	-	6	21
TOTAL LIABILITIES	**4,710,804**	**4,553,011**	**4,711,693**
TOTAL EQUITY AND LIABILITIES	**6,748,622**	**6,542,038**	**6,665,950**

Consolidated Income Statement

thousands of euro

	First 3 months 2014	First 3 months 2013
Revenue		
Revenue from goods and services	837,486	1,044,781
Change in work in progress	471	(415)
Other revenue and income	65,071	60,972
Total revenue	**903,028**	**1,105,338**
Operating expense		
Raw materials, consumables, supplies and goods	(433,617)	(544,589)
Services and use of third-party assets	(204,194)	(263,725)
Other operating expense	(17,827)	(14,022)
Capitalised expenses for internal work	4,482	4,679
Personnel expense	(70,592)	(63,802)
Total operating expense	**(721,748)**	**(881,459)**
GROSS OPERATING PROFIT (EBITDA)	**181,280**	**223,879**
Amortisation, depreciation, provisions and impairment losses		
Amortisation/depreciation	(52,895)	(45,731)
Provisions and impairment losses	(17,361)	(19,533)
Total amortisation, depreciation, provisions and impairment losses	**(70,256)**	**(65,264)**
OPERATING PROFIT (EBIT)	**111,024**	**158,615**
Financial income and expense		
Financial income	6,749	7,750
Financial expense	(31,198)	(30,765)
Total financial income and expense	**(24,449)**	**(23,015)**
Share of profit of associates recognised using the equity method	6,210	8,298
Impairment losses on investments	-	-
Profit before tax	**92,785**	**143,898**
Income tax expense	(40,048)	(59,926)
Net profit/(loss) from continuing operations	**52,737**	**83,972**
Net profit/(loss) from discontinued operations	-	-
Net profit (loss) for the period	**52,737**	**83,972**
attributable to:		
- Profit (loss) - Group	49,131	81,104
- Profit (loss) - non-controlling interests	3,606	2,868

Other comprehensive income

thousands of euro

	First quarter 2014	First quarter 2013
Profit/(loss) for the period - Group and non-controlling interests (A)	**52,737**	**83,972**
Other comprehensive income to be subsequently reclassified to the Income Statement		
- effective portion of changes in fair value of cash flow hedges	(2,502)	12,615
- change in fair value of available-for-sale financial assets	-	-
- share of other profits (losses) of companies accounted for using the equity method	(1,965)	-
Tax effect of other comprehensive income	694	(4,709)
Total other comprehensive income to be subsequently reclassified to the Income Statement net of tax effect (B1)	**(3,773)**	**7,906**
Other comprehensive income that will not be subsequently reclassified to the Income Statement		
- actuarial profits/(losses) from defined benefit plans (IAS 19)	-	-
Tax effect of other comprehensive income	-	-
Total other comprehensive income that will not be subsequently reclassified to the Income Statement, net of tax effect (B2)	**-**	**-**
Total comprehensive income/(expense) (A)+(B1)+(B2)	**48,964**	**91,878**
attributable to:		
- Profit (loss) - Group	45,358	89,004
- Profit (loss) - non-controlling interests	3,606	2,874

Statement of changes in consolidated equity

		Share capital	Share premium reserve	Legal reserve
	31/12/2012	**1,276,226**	**105,102**	**28,996**
Retained earnings				
Other changes				
Comprehensive income for the period				
of which:				
- Profit for the period				
- Other comprehensive income				
	31/03/2013	**1,276,226**	**105,102**	**28,996**
	31/12/2013	**1,276,226**	**105,102**	**32,512**
Retained earnings				
Other changes				
Comprehensive income for the period				
of which:				
- Profit for the period				
- Other comprehensive income				
	31/03/2014	**1,276,226**	**105,102**	**32,512**

thousands of euro

Hedging reserve	Other reserves and retained earnings (losses)	Total reserves and retained earnings (losses)	Profit (loss) for the period	Equity attributable to the Group	Equity attributable to non-controlling interests	Total equity
(42,645)	**219,617**	**311,070**	**152,559**	**1,739,855**	**214,402**	**1,954,257**
	152,559	152,559	(152,559)	-		-
	906	906		906	(4)	902
7,900		7,900	81,104	89,004	2,874	91,878
			81,104	81,104	2,868	83,972
7,900	-	7,900		7,900	6	7,906
(34,745)	**373,082**	**472,435**	**81,104**	**1,829,765**	**217,272**	**2,047,037**
(24,028)	**302,135**	**415,721**	**80,554**	**1,772,501**	**216,526**	**1,989,027**
	80,554	80,554	(80,554)	-		-
	(89)	(89)		(89)	(84)	(173)
(3,773)		(3,773)	49,131	45,358	3,606	48,964
			49,131	49,131	3,606	52,737
(3,773)	-	(3,773)		(3,773)		(3,773)
(27,801)	**382,600**	**492,413**	**49,131**	**1,817,770**	**220,048**	**2,037,818**

Consolidated Cash Flow Statement

thousands of euro

	First quarter 2014	First quarter 2013
A. Opening cash and cash equivalents	**50,221**	**26,681**
Cash flows from operating activities		
Profit (loss) for the period	52,737	83,972
Adjustments:		-
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	52,895	45,731
Capital gains (losses) and other changes in equity	(8,960)	653
Net change in post-employment benefits and other employee benefits	373	593
Net change in provision for risks and other charges	7,323	(3,851)
Change in deferred tax assets and liabilities	(542)	(1,511)
Change in other non-current assets and liabilities	5,727	784
Dividends accounted for net of adjustments	(602)	-
Share of profit (loss) of associates	(6,210)	(8,299)
Net impairment losses (reversals of impairment losses) on assets	-	4,167
B. Cash flows from operating activities before changes in NWC	**102,741**	**122,239**
Change in inventories	44,766	45,705
Change in trade receivables	(81,682)	(174,851)
Change in tax assets and other current assets	(36,383)	1,556
Change in trade payables	(55,911)	(7,820)
Change in tax liabilities and other current liabilities	69,671	77,817
C. Cash flows from changes in NWC	**(59,539)**	**(57,593)**
D. Cash flows from/(used in) operating activities (B+C)	**43,202**	**64,646**
Cash flows from/(used in) investing activities		
Investments in intangible assets, property, plant and equipment and investment property	(41,819)	(36,084)
Investments in financial assets	(25)	-
Proceeds from the sale of investments and changes in assets held for sale	8,913	3,635
Dividends received	602	-
E. Total cash flows used in investing activities	**(32,329)**	**(32,449)**
F. Free cash flow (D+E)	**10,873**	**32,197**
Cash flows from/(used in) financing activities		
New non-current loans	150,000	100,000
Repayment of non-current loans	(17,058)	(14,102)
Change in financial liabilities	(1,870)	(98,955)
Change in financial assets	(35,691)	(7,368)
G. Total cash flows from/(used in) financing activities	**95,381**	**(20,425)**
H. Cash flows for the period (F+G)	**106,254**	**11,772**
I. Closing cash and cash equivalents (A+H)	**156,475**	**38,453**

STATEMENT OF THE MANAGER IN CHARGE OF FINANCIAL REPORTING, PURSUANT TO THE PROVISIONS OF ART. 154-BIS, PARAGRAPH 2, ITALIAN LEGISLATIVE DECREE 58/1998 (CONSOLIDATED FINANCE ACT)

The undersigned manager in charge of Iren S.p.A. financial reporting, Massimo Levrino, hereby declares, pursuant to article 154-bis, paragraph 2 of the Consolidated Finance Act, that the Interim Report at 31 March 2014 corresponds to the accounting documents, records and books.

14 May 2014

Iren S.p.A.
Administration and Finance Director and
Manager in charge of financial reporting as
per Law 262/05
Massimo Levrino

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